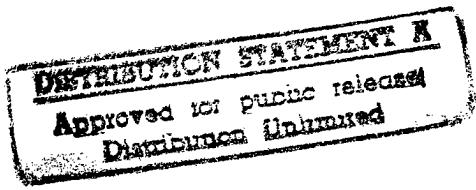


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# ***JPRS Report***



# **China**

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## CHINA

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## JIEFANGJUN BAO HAILS ZHAO'S SUCCESSFUL TRIP

HK071029 Beijing JIEFANGJUN BAO in Chinese 25 Jun 87 p 4

[Article by Chen Xiong [7115 7160]: "A Successful Visit for Friendship and Peace--Comrade Zhao Ziyang Concludes Visit to Six Countries in Eastern Europe and South Asia"]

[Text] Zhao Ziyang, acting general secretary of the CPC Central Committee and premier of the State Council, concluded his official and friendly visits to five East European socialist countries, namely Poland, the GDR, Czechoslovakia, Hungary, and Bulgaria, and to Pakistan in South Asia, and returned home on 24 June, bringing with him the profound sentiments of friendship of the peoples of these countries. The complete success of these visits indicated that our friendly and cooperative relations with the five East European countries have entered a new historical period, and our good-neighborly and friendly relations with Pakistan have further advanced.

Comrade Zhao Ziyang's visit to the five East European countries from 4 June to 21 June was the first visit by a party and government leader of our country to these countries over the past more than 20 years, and this was a major event of great political significance in our relations with these countries. Therefore, the visit attracted general attention from people in various countries, and evoked strong repercussions in world opinion.

Our country and Eastern Europe share time-honored traditional friendship, although we are thousands of miles apart from each other. Through joint efforts in the past few years, we have achieved new development in our mutual relations. In particular, through a series of exchange visits by leaders of the two sides since last year, relations between our country and the five East European countries have been completely normalized, and cooperation and exchanges in the political, economic, trade, scientific, technological, and cultural fields have made marked progress. Comrade Zhao Ziyang's visit to these five countries has advanced these friendly and cooperative relations to a new stage. For many days running during the visit, the five countries adopted special resolutions, published special communique, and published the supreme leaders' speeches to give a high value to the successful visit by China's friendship envoy. The newspapers, journals, news agencies, and radio and television channels in the five countries published a great many

items praising Comrade Zhao Ziyang's visit and stressing its "special political significance." Public opinion in other countries of the world also pointed out that Zhao Ziyang's East European trip was "an epoch-marking event," which would be helpful to "strengthening peace and security in Europe and in the world."

China and the five East European countries are all engaged in socialist construction, and all long for a peaceful and stable international environment, so there is a solid foundation for the two sides to further develop their friendly and cooperative relations. During his visit, Comrade Zhao Ziyang held a series of fruitful talks with leaders of the five East European countries on issues concerning bilateral relations and issues of common interest in a sincere and friendly atmosphere. Comrade Zhao Ziyang expounded China's independent diplomatic policy for peace, which constantly takes the maintenance of world peace as the fundamental objective of all its diplomatic activities. China holds that both Eastern Europe and Western Europe are important forces for maintaining world peace, and appreciates the East European countries' great efforts to ease the tensions in Europe, to promote disarmament, and to promote East-West dialogue and the improvement of East-West relations. The leaders of the five countries expressed their admiration and satisfaction with China's positive attitude and position. In the talks, the hosts and the guest told each other about their respective domestic political and economic situations and exchanged opinions on socialist construction and reform. Both sides held that although China and East European countries have different conditions and face different environments, they share the same objective of building socialism and are all seeking ways to speed up their socioeconomic development, so they are facing many similar questions.

Therefore, it is necessary and useful to frequently exchange experience in construction and reform so as to learn from each other's strong points. In the talks, Comrade Zhao Ziyang reiterated that China's opening-up policy is oriented toward the entire world, including the socialist countries. China attaches great importance to the development of cooperative relations in the economic, trade, scientific, and technological fields with the East European socialist countries, and will gradually expand the proportion of such cooperation in its foreign economic relations. For this purpose, the hosts and the guest jointly studied new forms and new methods to expand their cooperation. During the visit, China and Poland signed an agreement on mutual assistance in the judicial procedures of civil and criminal cases; China and the GDR signed agreements on preventing dual taxation and on mutual visa exemption; China and Czechoslovakia signed an agreement on preventing dual taxation and preventing tax evasion and a set of regulations for establishing machine work groups; China and Hungary signed an agreement on long-term economic and technological cooperation up to the year 2000 and an agreement on cultural, scientific, and educational cooperation over the next 5 years; and China and Bulgaria signed agreements on visa exemption, to facilitate the travel of citizens to each other's countries, and on broadcasting and television cooperation. All this shows that there are gratifying bright prospects in the friendly and cooperative relations between our country and the East European countries which will develop steadily over a long period of time in an all-round way.

After finishing his visits to the five East European countries, Premier Zhao Ziyang also made an official and friendly visit to Pakistan. In the cordial meetings and talks, the leaders of the two countries exchanged opinions in depth on issues concerning bilateral relations and regional and international issues of common interest, and found that they share identical viewpoints on many issues. Premier Zhao valued highly Sino-Pakistani friendly and cooperative relations and said these relations had become a good example of harmonious coexistence between two countries. He also reiterated that China firmly supports Pakistan's principled position on the Afghan issue. During the visit, the two countries also signed an agreement on loans. Premier Zhao's successful visit has added new vigor to Sino-Pakistani relations.

This time, in his visits to the five East European countries and to Pakistan, Comrade Zhao Ziyang was warmly welcomed and was accorded lavish hospitality. From the garden city of Warsaw to the ancient capital of Berlin, from the golden city of Prague and the pearl of the Danube, Budapest, to the rose capital, Sofia, and from the East European socialist countries to the close friendly neighboring country, Pakistan, the places he arrived at were all splendidly decorated for the festive occasion and reverberated with cheers of "friendship, peace." This fully expressed the hearty job of the people in these countries and their profound sentiments of friendship toward the Chinese people. This valuable friendship of the people in these countries will always be cherished by the Chinese people. The successful visit made by Comrade Zhao Ziyang for friendship and peace will certainly bear more abundant fruit!

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CSO: 4005/852

COMMENTATOR: REFORM, OPEN POLICY KEYS TO OVERCOMING LIBERALIZATION

HK021020 Shanghai SHIJIE JINGJI DAOBAO in Chinese 1 Jun 87 p 3

[Article by Contributing Commentator Liu Ji [0491 0679]: "Shake Off Pauper's Socialism; Build Socialism With Superiority Over Capitalism"]

[Text] Recently, on various occasions CPC leaders have repeatedly spoken about the relationship between, and the deep significance of, the two basic points of opposing bourgeois liberalization and firmly insisting on reform and opening to the outside. All this is worth our serious study and deep deliberation.

The CPC Central Committee has repeatedly pointed out that bourgeois liberalization carries a special significance because it refutes the CPC's leadership and the socialist direction. People who truly wish to make China thrive and prosper and to realize the four modernizations and those scientific-minded people who understand China's modern history and are able to seek truth from facts will undoubtedly firmly oppose this type of bourgeois liberalization.

Using this standard for an examination we will find that not to insist on the four basic principles is bourgeois liberalization, it misses the direction, affects stability and unity and as a result the four modernizations cannot be achieved.

Similarly, using this standard for examination, not to firmly insist on reform and opening to the outside will lead to bourgeois liberalization. This point has not yet attracted sufficient attention from people. If we firmly insist on reform and opening to the outside as opposed to firmly insisting on the four basic principles and believe that bourgeois liberalization is the product of the reform and opening to the outside; if we say that the measures taken in the course of the reform and opening to the outside, and proven through actual practice to have greatly promoted the development of the productive forces, constitute "capitalism" as well as say that "talking about capitalism is criticized but carrying out capitalism goes free"; and if we look at the reform of the political structure and improvement in socialist democracy as bourgeois liberalization, then all this deserves to be contended with.

1. There Is no Abstract Form of Firmly Insisting on the Four Basic Principles. Reform and Opening to the Outside Form the Basic Line Since the 3d Plenary Session of the 11th CPC Central Committee and not to Firmly Insist on Them Is a Concrete Manifestation of not Firmly Insisting on the Four Basic Principles.

Reform and opening to the outside is not the imagined slogan of a single individual or just an ordinary guideline or policy of the party. Rather, it is

a general line formulated by the party after a summarization of over 30 years of pro and con experiences in socialist construction and manifesting the common wishes of millions of people as well as their interests. This general line was established at the 3d Plenary Session of the 11th CPC Central Committee and was affirmed and recognized at the party's subsequent meetings and the 12th CPC National Congress. In eliciting this general line, Comrade Deng Xiaoping has pointed out many times that without reform or opening to the outside there would be no way out; that taking the old road will not do; and that reform is a second revolution.

Whether this general line of reform and opening to the outside is correct or not is no longer a problem of theoretical dispute since actual practice is the only standard for examining the truth. The actual experiences in the past 8 years have definitely established this line to be entirely correct. In 1986 compared with 1978, the country's GNP rose from 348 billion yuan to 938 billion yuan, a 102-percent increase when computed in comparable prices; financial revenues increased from 112.1 billion yuan to 222 billion yuan, an increase of 98 percent. The increase in our country's social wealth and economic strength has been unprecedented and such a prolonged, sustained, stable and high-speed development of the national economy has never been seen before since the founding of the republic. Following the development of the economy the people's standard of living has improved greatly. Although regarding the rise in commodity prices people in general have expressed various views. Yet when they examine their own state of wealth they will all recognize that in the various aspects of livelihood they have achieved sizable improvements in recent years and naturally they have expressed their satisfaction. This point is clearly verified by statistics on the consumption level of urban and rural people in the whole country: in 1985 the per capita outlay was 732 yuan, an increase of 421 yuan, or 135.4 percent compared with 1978, averaging an annual increase of 11.3 percent which, after removing the factor of a rise in commodity prices, yields a real annual increase of 7.3 percent. The improvements in the peasants' standard of living since the rural reform are even more salient. All this is the result of enforcing the policy of reform and opening to the outside. Is the purpose of firmly insisting on the four basic principles not precisely to make the country powerful and strong and the people well off? If we are not aware of all this and up to now still doubt the correctness of the reform and opening to the outside, then we are just departing from reality and from the populace.

The question lies in that there never has been any abstract insistence on the four basic principles. The four basic principles have always been concretely manifested in the party's guidelines and policies and in their enforcement. The general line of reform and opening to the outside since the 3d Plenary Session of the 11th CPC Central Committee was formulated by the CPC and was realized under the CPC's leadership. It is the product of the integration of Marxism's basic principles and China's current concrete practices and a great development of Marxism. It is a road that the construction of socialism with Chinese characteristics must follow. And if the country is powerful and strong and the people well off, then there is a guarantee for the consolidation of the people's democratic governing structure. In a word, reform and opening to the outside fully and most concretely manifest the four basic principles of the new era.

Naturally, in how to carry out the reform and opening to the outside problems can still be found in firmly insisting on the four basic principles. "Total Westernization" is wholly erroneous but if in opposing "total Westernization," we refute the reform and opening to the outside, then it is similarly wholly erroneous and the two are equally harmful. We must constantly keep in mind Premier Zhao Ziyang's excellent conclusions: "The line since the 3d Plenary Session of the 11th CPC Central Committee is to start from China's realities and build socialism with Chinese characteristics and this line has two basic points: one is to firmly insist on the four basic principles and the other is to firmly insist on the guideline of reform, opening to the outside and invigorating the economy. The two are mutually related and both are equally indispensable."

2. Reform and Opening to the Outside Provide the Life Force for Stimulating Socialism's Vitality, Thereby Truly Manifesting Socialism's Strong Points. Not To Insist on it Provides Fertile Ground for the Breeding of Bourgeois Liberalization.

The Communist Party led the people in prosecuting the revolution purely for the purpose of liberating the productive forces which were shackled by feudalism and capitalism. Lenin pointed out early on that socialism must create a labor productivity rate higher than that under capitalism. Hence, socialism should be lively and full of vitality, develop at a faster rate than capitalism and eventually surpass capitalism. Only when this point is realised can socialism be truly socialism and can it truly manifest its incomparable superiority before the people. Comrade Xiaoping pointed out recently: "We should firmly insist on socialism. But to further build socialism with superiority over capitalism, first of all we must shake off pauperish socialism. Although it is said that we are now undertaking socialism, it will not be until the middle of the next century when we reach the level of an average developed country. Then we can say with pride that socialism is better than capitalism and that we have truly undertaken and carried out socialism." These words were indeed well spoken. They are rich in internal contents and external dimensions, well worth our repeated studying. These words tell us that there is no abstract socialism or socialism in empty-talk but that only when the country has shaken off pauperism and caught up with and surpassed capitalism can there truly be socialism. Hence, all measures, guidelines and structures that maintain or lead to pauperism are not really socialism. These words also tell us that in order to manifest the strong points of socialism we must make prolonged and determined efforts, struggle to the middle of the next century or even longer, and even for several generations. Obviously, before all this the strong points of socialism cannot be fully displayed and bourgeois liberalization can always find soil for its growth and a market for its propagation. What should we do in the course of this long process? We should oppose bourgeois liberalization on the one hand and strive hard to shake off pauperish socialism on the other. A pauperish socialism provides the most fertile soil for the breeding and growth of bourgeois liberalization whereas undertaking bourgeois liberalization necessarily disrupts and destroys the united and stable situation for undertaking construction. They depend on each

other for existence and constitute the two sides of a problem. At the same time, since it is a long-term task, opposing them cannot rely on movements or on "big criticism," but principally on direct education. Most basically we must concentrate our energy on and especially and willfully develop the productive forces and use facts to support our words. Comrade Xiaoping penetratingly pointed out: "Socialism requires many tasks but the most basic one is the development of the productive forces to create a material foundation for communism. It must be based on the foundation of developing the productive forces to manifest its superiority over capitalism." Needless to say, developing the productive forces cannot be accomplished in a single day's or a single night's time. But socialism must be lively and full of vitality before people can treat it hopefully and confidently. Under the past ossified structure, despite people having tightened their belts and paid enormous prices and despite their pursuing the struggle for years with great enthusiasm, actual practices still brought increasingly serious disappointments. Without reforming the ossified structure how is it possible for socialism to stimulate the people's enthusiasm and creativeness? It is necessary to reform and to open to the outside. Just as Comrade Xiaoping pointed out: "Reform is the road that China must take in order to develop its productive forces." This road, laid down by the 3d Plenary Session of the 11th CPC Central Committee, has become wider and wider as time goes on. Our country's economy is being invigorated and people have new hopes for the future. Everybody can see all this.

Hence, without firmly insisting on reform and opening to the outside it would be impossible to break the past ossified situation or to develop the productive forces. All we could do then is to continue to stay in the backward economic state with a natural economy and semi-natural economy or a "product economy." This would increasingly widen the disparity between the development of our national economy and that of the developed countries. Not only could the strong points of socialism not be realized, but also the people could not possibly see the strong points of socialism. The result would provide the best breeding ground for bourgeois liberalization.

Insisting on reform and opening to the outside is not an abstract slogan. In examining the success or failure of reform and opening to the outside and whether it is correct or erroneous, reliance is not placed on a textbook or on abstract concepts but on the criterion if our country's productive forces have been promoted. Insisting on reform and opening to the outside must also insist on all the effective theories, policies and measures which actual practices have proven to have been effective in developing the socialist productive forces, such as the measures and systems in the course of reforming the economic structure in developing a commodity economy, invigorating enterprises, enforcing the contract and lease system and the plant manager responsibility system, and so forth. Even controversial theories and practices must be concretely analyzed and we must continue to insist on probing and testing. Comrade Chen Yun once vividly compared reform to "feeling for submerged stones when crossing a river." Here feeling means probing. If feeling is not allowed and probing is not insisted on, then how can one cross the river? Will reform then not become an empty word? If probing is involved, invariably there will be inadequacies and drawbacks and the important point here is what attitude to take. Will it be

taking hold of the inadequacies or drawbacks in reform and opening to the outside, writing on and magnifying them and following up with giving up or refuting the reform and opening to the outside? Or, will it be continuing on the reform and opening to the outside with full enthusiasm, insisting on probings in the reform, and resorting to a new reform to overcome the inadequacies and drawbacks of the reform? The two different attitudes will lead to entirely different results. Not to insist on reform and opening to the outside will result in stagnated and declining production, people's standard of living will fall, people will have doubts about socialism and lose their confidence, and this will lead to bourgeois liberalization. By insisting on reform and opening to the outside and letting reform and opening to the outside become perfected and develop, then we can surely realize what Comrade Xiaoping said "socialism with superiority over capitalism."

### 3. In Carrying Out the 3d Plenary Session's Line We Must Remove the Interferences From Both the "Leftist" and Rightist Sides.

To ensure the correct implementation of the line of the 3d Plenary Session of the 11th CPC Central Committee we must firmly insist on the four basic principles and oppose bourgeois liberalization and at the same time oppose the ossified trend of [word indistinct] or refuting reform and opening to the outside. Bourgeois liberalization intervenes in the rightist side of the Third Plenary Session's line, refutes the four basic principles, and uses "wholesale Westernization" to twist reform and opening to the outside. On the other hand, through diversified forms of an ossified trend, the "leftist" side intervenes in the line of the 3d Plenary Session of the 11th CPC Central Committee, refutes reform and opening to the outside and treats the four basic principles abstractly as a bloodless and bodiless slogan. Therefore, we must remove the interferences from the "left" and the right.

Since the founding of the Republic, for a prolonged period "leftist" erroneous ideas were dominant. They brought about the two serious misfortunes of the "great leap forward" and the "10 years' of turmoil," brought the national economy to the verge of collapse, made the party's prestige fall to its lowest ebb and nearly caused the party's downfall and the country's downfall! Just as Deng Xiaoping recently said: "From 1957 to 1978 the "leftist" problem set China back nearly 20 years. During this period China achieved a little development but the whole level of society was in a stagnant state. During this period the peasants' average annual cash income was 60 yuan, whereas in the cities and towns the average monthly income of the staff members and workers was 60 yuan. There was hardly any change in the past 20 years. According to international standards, all along this was below the poverty line." This historical lesson should make each true Communist Party member and each and every patriotic citizen think deeply.

Since the 3d Plenary Session of the 11th CPC Central Committee the correctness of the party's general line has brought about a good situation of stability, unity and economic prosperity. But it was not easy to achieve this situation and we should treasure it all the more. Since the prolonged "leftist" influences still extensively exist, since the traditions of feudalism and the usual influences of small-scale production have provided "leftist"

ideas with an intense social background, and since the main point of attack on the part of reform and opening to the outside was directed at the past acts of the "leftist," not to mention that the reform and opening to the outside quite possibly touched on the interests already attained by certain people, we should by no means be too careless with the dangers still lurking from the "left." A retrospect of the past can easily reveal that today's extremely good situation had been attained principally through struggles with the various kinds of "leftist" trends. Hence, we should always remain clear-headed and be constantly aware of the rehabilitation of the "leftist" influences and happenings.

Naturally, in implementing the line of the 3d Plenary Session of the 11th CPC Central Committee we have met with interferences from bourgeois liberalization. Actually, in the second half of last year for a time bourgeois liberalization ran rampant. However, after efforts were made the situation was quickly turned around. For sure, from now on we must still do a large amount of arduous and detailed work to gradually reduce the market for bourgeois liberalization, and prevent its ideas from running rampant.

The CPC's historical mission of leadership in building a socialist China is being conducted under extremely special and complex national conditions. In contemporary China, although the strength of socialism is continuously increasing, socialism is still in the initial stage. China's undertaking of socialism is a matter of only some 30 years and it is still very "young" in this respect. Building socialism with Chinese characteristics is still in actual practice and in the course being probed. The forces of feudalism and capitalism have a standing of several thousand years with a deep and firm foundation. Besides, there are the "leftist" habitual forces to contend with which cannot be overlooked. Thus, the CPC, in building socialism with Chinese characteristics, must on the one hand, oppose bourgeois liberalization and, on the other hand, reject the remnant influences of feudalism. In doing this we must keep our head twice as clear.

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CSO: 4005/830

REFORM KEY TO VITALITY OF SOCIALIST SYSTEM, THEORY

HK030804 Beijing GUANGMING RIBAO in Chinese 20 Jun 87 p 3

[Article by Tong Dalin [4547 1129 2651]: "Theoretical Workers Must Contribute to the Development of Theories"]

[Excerpts] Since the 3d Plenary Session of the 11th CPC Central Committee, a number of important documents issued by the party Central Committee and some works and talks by Comrade Deng Xiaoping have made great contributions to the development of Marxist theory.

The fundamental task of socialism is to develop productive forces. This is China's theoretical basis for shifting its strategic focal point from "taking class struggle as the key link" to the building of a powerful and modernized socialist country.

What is the fundamental task following the victory of socialist revolution? Both Marx and Engels did not much discuss this question in their works. A noted argument regarding this question is that it is imperative to make uninterrupted revolution following the victory of socialist revolution. Due to the Soviet Union's situation at home and abroad after the October Revolution, most of Lenin's speeches at that time focused on issues concerning the dictatorship of the proletariat. Although Stalin once discussed the economic functions of a socialist country, he also put forward the thesis that "class struggle is becoming increasingly acute." Mao Zedong placed great emphasis on class struggle and advanced the theory of continuing the revolution under the dictatorship of the proletariat. Therefore, the notion that development of productive forces is the fundamental task of socialism is a basic theory added to the treasure house of Marxism.

At present, it seems that only by promoting reform can we always keep scientific socialism young, can we enable our socialist system to manifest its superiority, and can we enable our socialist system to manifest its superiority, and can we enable the Chinese people to break completely away from poverty and ignorance and to turn China into a socialist country with a high degree of democracy. Our reform is therefore described as a great revolution made after overturning the "three big mountains" [imperialism, feudalism, and bureaucratic-capitalism]. During this revolution, the party Central Committee and Comrade Deng Xiaoping have already set good examples

for us in developing Marxism. How can Marxists and Marxist students in China attempt nothing and accomplish nothing during the reform carried out by hundreds of millions of people? Is it conceivable that the Marxists and Marxist students in China are still firmly entrenched in rules and regulations that have been proved through practice to be faulty?

From now on, the thinking, program, and policies regarding the economic structural reform must be closely integrated with both the theoretical explorations of socialist economy and the study of the strategy for developing socialism. This means that Chinese economic academic circles must liven up their activities and truly let a hundred flowers blossom and a hundred schools of thought contend to make due contributions to the development of socialist economic theories.

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CSO: 4005/830

COMMENTATOR CALLS FOR BREAK WITH OUTDATED VIEWS

HK220817 Beijing ZHONGGUO GINGNIAN BAO in Chinese 11 Jun 87 p 1

[Commentator's article: "It Is Necessary To Do Away With Outdated, Ossified Concepts"]

[Text] Adherence to the four cardinal principles and the general policy of carrying out reform, opening up to the outside world and invigorating the domestic economy provides a basic guarantee for building socialism with salient Chinese characteristics, and affords a hope of making our country and nation flourish. To ensure the sound progress of our reform, what is most important is that it is necessary to break with outdated and ossified ideas.

Carrying out reform is the trend of the times and the desire of the people. It is also a long-term and extremely arduous undertaking. Our success in reform has attracted worldwide attention, but in terms of the whole progress of reform, the success is still an initial one. Our reform has just started and on no account should we underestimate any obstacles to the reform. Generally speaking, these obstacles come from force of habit, outdated viewpoints, the influence of "leftist" ideology, and conventional ideas. Throwing the influence of the "leftist" ideology to the winds and breaking with outmoded and ossified viewpoints are a main task in stimulating reform. To ensure the progress of reform along a correct direction, we must, of course, often surmount obstacles from the right, and combat bourgeois liberalization when the occasion arises. We must bear in mind the bitter lesson of the outbreak of bourgeois liberalization ideological trend which occurred last year. However, we should not think that the major problem we are solving and the key tasks we are confronting have to change, just because of the singular outbreak of bourgeois liberalization ideological trend. Nor should we doubt what we have done over the past 8 years in clearing away the pernicious influence of "leftist" ideology, or slacken our efforts to do so. The major problem we have to solve is still to eliminate the pernicious influence of "leftist" ideology and the key task we have to assume is still to vigorously step up reform.

Breaking free from outmoded and ossified viewpoints which hinder the development of the productive forces, and cultivating an ideology which is in keeping with the development of the productive forces, are actually aspects in our reform endeavor. The reform process we have undergone over the past

8 years since the 3d Plenary Session of the 11th CPC Central Committee is merely a process of continuously breaking with outmoded and ossified viewpoints. If it were not for breaking with the viewpoint that socialism means "larger in size and having a higher degree of public ownership," how could we introduce the system of contracting responsibilities with payment linked to output in all rural areas of our country? If it were not for breaking with the ossified viewpoint which sets the planned economy against the commodity economy, how could we develop the socialist commodity economy so quickly? Were it not for breaking free from the ossified viewpoint which equates the concept of ownership by the whole people with the concept of government departments exercising direct control over the operation and management of enterprises, how could we separate ownership of enterprises from the power of operation, and instill vitality and vigor into our enterprises? Experience tells us that unless we earnestly study and implement the line, principles and policies formulated since the 3d Plenary Session of the 11th CPC Central Committee, break with all outmoded and ossified viewpoints, seek truth from facts, and emancipate our minds, we shall not be able to ensure the smooth development of our reform.

It must be noted that many outmoded and ossified viewpoints and the "leftist" ideology still find support with a certain number of people. This relates not only to vestiges of the several thousand-year-long feudal ideology, but also to the one-sided approach which we have taken for many years to the understanding of socialism. It is therefore not at all easy to eliminate all the ideology and viewpoints which hinder the development of the productive forces from among cadres and the masses. Sometimes, it seems that these things have been discarded, but under given conditions, they may appear again in the minds of some people. When we criticized the erroneous ideological trend of using bourgeois liberalization views to look upon reform and opening up, and even the advertising of "total Westernization" over the past few months, some people once again used erroneous views, which had long been proved wrong, to nitpick at our policy of carrying out reform, opening up to the outside world and reinvigorating the domestic economy. Some people described the practice of contracting and leasing enterprises as the practice of "private ownership"; some viewed the system of the director assuming full responsibility as "abolishing party leadership"; some termed the system of contracting responsibilities on the household basis with payment linked to output as "destruction of the collective economic foundation"; and others even interpreted the development of the commodity economy as the adoption of capitalism. If one looks upon the policy of reform, opening up and economic reinvigoration through bourgeois liberalization views, one certainly comes up with the conclusion to write off the four cardinal principles. Similarly, if one understands the four cardinal principles with ossified views, one surely draws the conclusion to reject reform and negate opening up and economic reinvigoration. This has once again proved that removing ideological obstacles from reform is a long-term and arduous task. While being on the alert against disturbances from the right and combating bourgeois liberalization, we must make greater efforts to clear away the influence of "leftist" ideology and free ourselves from outmoded and ossified viewpoints.

Young people are active supporters of reform. To ensure the continuous development of reform, all CYL members and young people should hold fast to the two cornerstones fashioned the party line. On the one hand, they should consciously uphold the four cardinal principles and combat bourgeois liberalization; this is particularly important for young people who do not have a sound understanding of the actual situation in our country and are not well armed with Marxist theory. On the other hand, they are also required to free themselves from the influence of all outworn and ossified viewpoints and the shackles of "leftist" ideology so that they will be able to support reform more firmly and plunge into reform more boldly. We are convinced that, provided we have a sound and correct understanding of the line formulated since the 3d Plenary Session of the 11th CPC Central Committee, we shall be able to adhere to the correct direction, seek truth from facts, and open up a new path so as to make contributions to the socialist modernization of our country.

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CSO: 4005/830

## COOPERATIVE ECONOMY SOCIETY FOUNDED IN BEIJING

HK100809 Beijing JINGJIXUE ZHOUBAO in Chinese 28 Jun 87

[Report by Li Yujing [2621 3768 2533]: "Grand Alliance of the Cooperative Economy Circles and Practical Workers--the China Cooperative Economy Society Set up in Beijing"]

[Text] The China Cooperative Economy Society held its founding meeting in Beijing on 13 June. Chairman of the society Du Runsheng presided over the meeting and delivered an important speech. Advisors to the society Yu Guangyuan, Shi Lide, and Bi Pingfei; and vice chairmen Pan Yao, He Cuang, Xie Hua, and Wang Changbo attended and addressed the meeting. Vice Chairman Li Long delivered a written speech. More than 100 theoreticians and practitioners specialized in cooperative economy in Beijing or from some provinces and cities were present at the founding meeting. The Federation of Economics Societies of China, the Society of Commercial Economics of China, and ZHONGGUO HEZUO JINGJI BAO [CHINA COOPERATIVE ECONOMY JOURNAL] have separately sent congratulatory letters to the meeting. Rewi Alley, Xue Muqiao, and Xu Dixin have accepted the society's appointment as advisors. All of them have extended congratulations to the meeting.

The China Cooperative Economy Society is a national academic body specialized in the studies of the theories and practice of cooperative and collective economy. It is founded on the basis of various societies and institutes separately set up by the Rural Development Research Center, the Chinese Academy of Social Sciences, the All-China Federation of Supply and Marketing Cooperatives, the All-China Federation of Handicraft Cooperatives, the Ministry of Labor and Personnel, the Ministry of Agriculture, Animal Husbandry, and Fisheries, urban collective economic networks, and other organizations relating to the economic science.

The participants in the meeting hold that the founding of the China Cooperative Economy Society is a major event in the circles of Chinese economic theoreticians. In the wake of the further development of the reform of the economic structure, the cooperative economy and the collective economy are developing rapidly. Meanwhile, many new problems have emerged, waiting to be studied from both the theoretical and practical points of view. As the cooperative economy has developed by twists and turns in our country, we need to sum up experiences, study the objective laws of the development of the cooperative economy, and find a form of cooperative economy and a mode of management that fit China's national

conditions. In the past, different departments, societies, and scholars have been conducting researches separately, and they lack contact and cooperation between them. The establishment of the China Cooperative Economy Society will further intensify the great alliance of theoreticians and practitioners in the cooperative economy and will promote the rapid development of the cooperative economy in the country.

A report on the preparations for the founding of the society was given and the draft of the regulations of the society was adopted during the meeting. Tang Zongkun was elected secretary general of the society.

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CSO: 4006/810

## SYSTEM FOR MANAGING STATE ASSETS URGED

HK090901 Beijing JINGJI RIBAO in Chinese 27 Jun 87 p 3

[Article by Zhang Shaojie [1728 1421 2638]: "The Key to Invigorating Enterprises Is To Set Up a State Assets Management System"]

[Text] 1. The Distribution Relations Between the State and the Enterprises Is Still a Question of the First Importance for Reform

At present, the focus of various contradictions in economic activity is that the enterprise and the state and the central authorities and local authorities cannot reasonably share the risks in accumulation and investment. This is chiefly expressed in the following: 1) there is no pressure for the enterprises to safeguard the rights and interests of the property owners, and in making policy decisions regarding income and distribution, the enterprises have done too much to meet the workers' demands for higher income and greater benefits, thus affecting the performance of their accumulation duty; 2) since the enterprises do not have to bear any economic responsibility for the state property they are occupying, when making policy decisions on investment, they tend to require more and more property for their own use, resulting in the swelling of the scope of investment and low economic returns; 3) due to the reasons mentioned above, the function of accumulation and investment has to be performed by the government alone, and since local government often emphasizes making cities clean and tidy, large sums of money are often thrown into nonproductive construction projects, while putting the burden of productive investment on the shoulders of the central government and bank. As a result of these tendencies, whenever the policy is relaxed, personal income and nonproductive investment will increase sharply, obstructing the further development of reform. Since the central authorities have to bear the main burden of accumulation and investment due to the dispersion in the distribution of the national income, their financial situation is deteriorating day by day.

At present, the contradictions in China's financial system are still mainly expressed in the relationships between the enterprise and the state and between the central and local authorities. Over the past few years, the enterprises have been granted much decisionmaking power and have been able to retain more profits. However, they still cannot pay sufficient attention to the appreciation of the state assets they occupy. In the enterprises, there are still no real

representatives of the state assets. Although the financial situation of local governments has improved, they have not used the funds for investment in productive construction projects due to the dispersion of the use of their funds. Being faced with a heavy burden of expenditure (including investment in productive construction projects), central finance cannot but adopt more measures to cut down expenses. But this has aroused more extensive and sharp criticisms and has affected the initiative of both the enterprises and local authorities. The crux of these contradictions is still in the relationship between the government and the enterprises and in the matter of establishing a system of rights and interests regarding assets under the condition of socialist public ownership. Under this system, the most important question is still the distribution relationship between the state and the enterprises.

To give play to the regulatory role of market mechanism and to encourage competition between enterprises on equal basis, we must establish a stable, unified, and regularized system to readjust income. But to suit the different situations of various enterprises and mobilize the initiative of the enterprises, we must also have diverse ways and methods for enterprise administration and production. The contradiction between diversification and regularization is a basic contradiction at present in the distribution of income.

## 2. The Key Lies in Distinguishing Between the Government Function and the Owner Function of the State

In view of the redistribution of income between the state and the enterprises and various improvement measures and the fact that some irrational phenomena have existed in the production, distribution, and investment of the enterprises over the past year or so, people have begun to emphasize the question of restraining enterprise budgets.

The practice of reform in our country and other socialist countries shows that under the condition of socialist public ownership, it is very difficult to place rigid restrictions on enterprise budgets. The difficulty is not caused merely by the "father love" of the government toward the enterprises, or by the fact that we are unable to appraise the achievements of the enterprises by means of the profit targets set for them. The most basic reason is that we do not have a system to serve as the basis for restraining enterprise budgets.

The difficulty mainly comes from the following:

First, the conditions for safeguarding rights and interests. The right of the operators are granted by the owners. In practice, the operation power is obscure. It is determined by many factors, including the operation basis provided by the owner, the method the owner adopts to protect its rights and interests regarding assets, and the faith of the owner itself. At present, there are still no successful experiences in the world in attempting to establish standardized and unified responsibility regulations for tens of thousands of enterprises on the basis of extremely uncertain relations between rights and interests and to effectively safeguard the basic rights and interests of the owner of the assets in this way.

Second, the necessity for bearing responsibility. When the enterprises encounter difficulties in operation, it is usually impossible for the enterprises to solve the difficulties all by themselves. On many occasions, they will require the existing owners or investors (future owners) to make timely readjustments to their guarantees, "make more concessions in profit sharing," or to increase investment. There are almost no owners who would sit by and see their own enterprises suffer losses or even go bankrupt without going to the rescue; similarly, there are almost no enterprises which can fundamentally change their difficult situation independently without the help of the owners. As a matter of fact, so long as there are risks, both the owners and the operators should share the risks and, in light of the already changed situation, make a timely readjustment of the economic responsibility and power of the operators.

In enterprise reform, it is necessary to pay attention not only to operation power but also to ownership. A basic channel to harmonize these two is to make clear the relation between the power and interests of the owner, so that state property can remain independent among various enterprises, and so that other main investment bodies can also advance into the modern industrial system in accordance with the principle of equality. Under such conditions, the social duty of enterprises is unified. But on the other hand, the enterprises may also obtain necessary investment from various other investors and assume necessary responsibility for the assets in their hands in light of their opportunities and costs.

In short, in order to realize regularized management by the government over the enterprises in the whole society, we need unified regulations. But to make the state-owned enterprises able to meet the complicated changes in the market, we must also make the property owners assume concrete responsibility in light of the different situations in their enterprises. Thus, it is necessary to form an independent value movement of the state assets and to have some managers of state assets who have concentrated power and definite responsibilities and whose function is separated from the government function of the state.

#### Separation of Profit and Tax Is the Starting Point for Establishing a State Assets Management System

At present, the government is receiving from state enterprises two kinds of income, which are entirely different in nature: one is the income obtained as manager of the society and the other is the income received as an owner of assets. These incomes are now obtained in the form of income tax on enterprises. The former, which is obtained from the enterprises in the form of tax revenue, is undoubtedly necessary, but the latter will bring about a series of problems if it is also obtained in the same form.

Judging from the current situation, adopting the method of separating profit from tax has the following advantages: 1) It can help the enterprises adopt diverse forms of operation and is conducive to regularizing the system of tax revenue so that better conditions can be created for further substituting taxes

for delivery of profits and so that new forms of operation can be continuously created by the enterprises. 2) It is conducive to reforming the system of pretax repayment for investment loans, restraining the demands of enterprises for investment, and hoping the enterprises and banks increase their economic returns on investment. 3) It is conducive to further improving relations between the government and the enterprises and to the formation of the legal entity position of the enterprises.

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## ENTERPRISE LEASING OPERATIONS SYSTEM INTRODUCED

HK130752 Beijing GUANGMING RIBAO in Chinese 27 Jun 87 p 4

[Article by Zhang Hefu [1728 0735 0126]: "Operation by Leasing and the System of the Factory Director Assuming Full Responsibility"]

[Text] Operation by leasing is, in a general sense, to combine the factory director's responsibility, power, and interests. In this sense, it is identical with the system of the factory director assuming full responsibility. However, the factory director responsibility system is an enterprise's internal economic responsibility system but not a mode of enterprise operation under state management. Perhaps, we can say that this is not a form of contract. Therefore, the factory director responsibility system only solves the problems of who is to be responsible for an enterprise's internal operations and management but does not solve the problems of changing the hierarchic administrative subordinate relations between the state and an enterprise. However, operation by leasing is a mode of enterprise operation under state management and is a modern form of contract. It changes relatively thoroughly the hierarchic administrative subordinate relations between the state and an enterprise. By comparing the differences between operation by leasing and the factory director responsibility system we can see the following:

1. The Different Modes of Emergence of a Factory Director

In operation by leasing, as a factory director of course, a leasee is selected from among many tenderers through strict procedures in the form of inviting tenders by the department in charge of enterprises. In an enterprise which implements the system of the factory director assuming full responsibility, the factory director is appointed by the upper-level department in charge or is elected by the workers of the enterprise in a democratic way with the approval of the upper-level department in charge. The former is a method of selecting a factory director by taking the civil measures and on the basis of equal relations while the latter is a method of appointing or electing a factory director by taking the administrative measures and on the basis of subordinate relations.

## 2. The Differences Relations with Organs in Charge of Enterprises

Under the circumstances of operation by leasing, all economic contacts between the state and enterprises must be made through a contract. Both parties to a lease must enjoy rights and undertake obligations according to the provisions of a contract. In the scope permitted by the contract, the policy decisions on an enterprise's production and operations are to be determined by the leasee himself without the need of applying to the organ in charge of the enterprise for approval. At the same time, the organ in charge of the enterprise no longer enjoys any right of the enterprise uncovered by the provisions of the contract. In this way, the previous administrative relations are severed. Under the circumstances of the factory director responsibility system, the command of an enterprise by the organ in charge of and the enterprise's dependent relations with the department in charge are still not cast off and the factory director is not responsible to the contract but to his upper level. The policy decisions on the enterprise's production and operations must, in general, be reported to the organ in charge for approval and the organ in charge can also apply the administrative measures to exercise necessary intervention in the enterprise's production and operations.

## 3. The Different Roles of Factory Directors

After the conclusion of a contract for operation by leasing, as the factory director of an enterprise, a leasee concentrates the right of production and operations, the right of formulating policy decisions, and the right of command on himself. He not only should hold himself responsible for the enterprise's operations and management but also guarantees its operations and activities with his own property. Under these circumstances, people change their attitude toward and concept of the factory director and will no longer intervene in the leasee's policy decisions on and his command of the enterprise's operation. The leadership group of the enterprise is organized by the factory director and a new system of responsibility has been formed in the enterprise. As a factory director, he should be responsible to the enterprise as well as the contract; as a deputy factory director, one should be responsible to the leasee. This then avoids the previous phenomenon of disputing over trifles and interfering with each other and firmly establishes the authority of the leasee. In an enterprise which implements the factory director responsibility system, since the factory director has no special duties or interests, he can hardly hold full liability for the enterprise's production and operations. At the same time, as the deputy directors of enterprises are in general, appointed by the organ in charge, they must be responsible to their upper level. Many matters are jointly decided by all people, so the factory director can hardly be in a position to make decisions. This results in the factory director having only nominal power.

## 4. The Different Duties Borne

In operation by leasing, all obligations, including economic and technological quotas, undertaken by a leasee are proposed by him when he submits a tender. When the leasee cannot fulfill or completely fulfill these obligations, he should hold civil liability for damages with his own property. Under the

factory director responsibility system all obligations, including economic and technological quotas, undertaken by an enterprise are handed down by the upper level through administrative measures and are not constituted through consultation. When the factory director cannot fulfill or completely fulfill these obligations, he mainly holds administrative liability.

Operation by leasing is a new mode of operation which emerges under the system of highly concentrated management. As soon as it emerged, relatively good economic results were scored. In my opinion, there are two main reasons:

- 1) It thoroughly changes the situation that the duties of government are not separated from those of enterprises under the original economic system of our country; it begins handling the relations between the state and enterprises according to the principle of the commodity economy, and meets the needs of the socialist planned commodity economy. 2) It has found a key to the strengthening of the enterprises' vitality under the relations of the socialist planned commodity economy, that is, the application of civil law measures to readjust the relations of the commodity economy between the state and enterprises, so that the necessary role of the most suitable law for readjusting the relations of the commodity economy--civil law--can be brought into play.

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## WANG ZHUAN ON DEALING WITH INFLATION

Beijing JINGJIXUE ZHOUBAO in Chinese 14 Jun 87 p 2

[Article by Wang Zhuan [3769 3849]: "The Challenge of How to Deal with Inflation"]

[Text] In the period since the Third Plenary Session of the Eleventh Party Congress, China's economy has been the most vigorous, the nation's capacity has been the strongest, and the people have achieved the greatest material benefits of any period since the founding of the People's Republic. Of course, even when things are going well, we must face up to problems in our progress. One problem is that our development and reforms are facing the challenge of inflation. We must now acknowledge inflation, and analyze it.

#### 1. Acknowledging That Development and Reforms Are Facing the Challenge of Inflation

Inflation and higher prices are not identical, but we must acknowledge that inflation is a key factor promoting higher prices. There is, therefore, a basis for people assessing inflation by means of price hikes. From 1978 to 1984 the overall retail price index rose 17.7 percent, but the rise in 1985 over 1984 was 8.8 percent. In cities of more than one million, the price index has reached double digits; increases in the prices of everyday necessities such as foods and nonstaple food items were even greater. The masses have reacted strongly to this, and there have been many complaints. It is therefore essential that we acknowledge that our development and reforms are facing the challenge of inflation.

#### 2. Overdistribution by the Government Is a Key Factor Creating Inflation

Overdistribution by the government leads to inflated demand, and inflated demand leads to hypereconomic issues of currency; hypereconomic issues of currency necessarily lead to a devaluation of currency. Overdistribution, overissue, and devaluation form a sort of "triple cup." And what is the origin of this "triple cup?" I believe it is superfast growth. Superfast growth spurs on overdistribution, and, for a time, overdistribution supports superfast growth. In the past, I also made use of the term "overdistribution of national income." In reference to formulating plans for overdistribution of national income, this term is proper. However, it should not be used to refer to

achieving overdistribution. With so much income for society as a whole, how can there be overdistribution? Now, overdistribution refers to distribution by the government exceeding the government's own financial capacity, so that it then makes use of hypereconomic issue of currency to devalue currency, which in fact allows consumers to bear this overdistribution.

### 3. The Impetus Behind Governmental Overdistribution Is Impatience for Quick Results in Macroeconomic Policy-Making

Why would the government wish to exceed its own financial capacity to achieve overdistribution? The problem occurs when the principle of proceeding according to one's capabilities is violated, when the emphasis is on unbridled speed, and when accumulation and consumption are in competition; when the government exceeds its financial capacity, it also exceeds the country's ability to support it. This is the old shortcoming of macroeconomic policy-making at many different levels being impatient for quick results. Deficits and inflation are the product of impatience for quick results in macroeconomic policy-making.

### 4. Overdistribution Cannot Achieve "Superfast" Growth

Overdistribution by the government is supported by hypereconomic issues of currency. Hypereconomic currency issues may lead to economic growth for a short period of time, but at the same time as it causes short-term economic growth it also covers over two contradictions that check that growth: 1) once the use of currency devaluation to compensate for shortfalls in the government's overdistribution exceeds the people's capacity to sustain it, stability and unity may be affected; 2) short-term superfast growth necessarily aggravates structural imbalance, which means that the bottlenecks of energy, transport, and the international balance of payments constrict normal economic growth. The result is always a desire for speed that cannot be attained. Once these contradictions become acute, it is difficult to sustain ordinary growth, much less superfast growth. There have been many examples of this in China, and it is nothing new in either capitalist or socialist countries.

### 5. Hidden Dangers of Inflation

The essence of inflation is devaluation, which is manifested as devaluation of citizens' cash on hand and on deposit, and as rising prices. So long as these rising prices do not exceed the people's capacity to support them, everything is of course fine. However, two factors bring about higher prices: 1) devaluation of currency; 2) price reform. Under the old system, it was impossible to create a self-restraining demand mechanism, and China long experienced the phenomenon of an inflated demand for investment; administrative methods to basically freeze prices forced already existing inflation into a situation of passive restraint. Now, the price management system for some commodities has begun to be decontrolled; readjustment and decontrol of the prices for some commodities have set off and led to the risk of "domino price hikes," externalizing inflation that previously was passively restrained. Naturally, the main risk is that this may incite and impel waves of price hikes.

We must adopt reasonable countermeasures to control inflation. If we do so, it will not be difficult to control inflation. In this regard, I offer three proposals:

1. Plug the Government's Two Distribution Outlets in the Financial and Banking Systems

Why is it possible for the government to overdistribute?

One reason is that when the financial departments at the central level incur hard deficits they are able to overdraw on the central bank. The central bank is not authorized to refuse to allow the central financial departments to overdraw to cover their deficits, so all they can do is to issue more currency to compensate this deficit.

Another reason is that the central bank has inadequate credit funds, so it uses expanded hypereconomic currency issues to compensate. The central financial departments have no oversight authority over this, and they bear no responsibility for controlling it.

How can the government's overdistribution, which leads to inflation, be controlled?

One approach requires reforming the current financial system and reorganizing the structure of financial expenditure: 1) Stipulate anew that deficits are to be made up solely by issuing state bonds; do not allow overdrafts on the central bank, and do not allow expanded, hypereconomic currency issues; 2) the per capita cost of state financial expenditures is excessive, so that constructive finance has become supply finance; moreover, consumption by governmental institutions and groups tends to mature early, so the central government must resolve to solve the problems of streamlining institutions and cutting back on expenditure; 3) in accordance with the principle of separation of authority, central and local financial departments should implement a compound financial system, with the central and local departments taking responsibility for balancing their own revenue and expenditure, without infringing on each other or imposing indiscriminate egalitarianism.

Another approach requires reforming the current banking system: 1) Stipulate anew that currency issues by the central bank must be submitted to the National People's Congress, just like the state budget; 2) funds created by issuing currency should go first to constitute special reserves for credit funds, with examination and approval by the Congress before being allowed to be used as credit funds; 3) when currency issues have been brought under control, the specialized banks' scale of credit may be decontrolled, with these banks having their own control over the scale of lending according to the principles of linking lending to deposits and accepting responsibility for balancing funds. In short, comparison and comprehensive evaluation show that a system in which the scale of lending is decontrolled and currency issues are strictly controlled is a system that is both controlled and flexible.

## 2. Cautiously Study Choices for China's Reform Strategy

We are now faced with choosing between two reform strategies: one is a reform strategy involving "an intermediate breakthrough and a drive on two fronts." "Intermediate breakthrough" refers to first breaking through in reforming market mechanisms, with the focus on price reform, and then driving ahead in reform at the micro- and macroeconomic levels. Experience has shown that, when there is no new macroeconomic regulating mechanism able to control inflated demand, regulating or decontrolling prices necessarily leads to "domino price hikes" driven by costs. This reform strategy necessarily spurs on the externalization of passively restrained inflation. At present, a reform strategy based on price reform for the sake of reforming market mechanisms is unacceptable and unworkable.

I recommend implementing a reform strategy of "breaking through on two fronts, with an intermediate drive." "Breaking through on two fronts" refers to reform at the micro- and macroeconomic levels; "Intermediate drive" indicates driving ahead towards reform of market mechanisms, with the focus on price reform.

Reform at the microeconomic level would create an enterprise system of state-owned enterprises taking responsibility for profit and loss, the purpose of which would be to strengthen enterprise vigor. Only by running state-owned enterprises as true commodity producers can an operational system for state-owned enterprises be created. Once this operational system has been created, it will necessarily improve economic returns and make a greater contribution to society.

Reform at the macroeconomic level, with a macroeconomic regulating system based on self-restraining demand mechanisms at each level of the macroeconomy, would effectively control inflation of investment demand and consumption demand.

Breaking through on two fronts would mean an increase in supply and bring demand under control. This reform strategy would necessarily make it possible to achieve a basic balance between total demand and total supply and would create a more relaxed economic climate, as well as spurring on reform of market mechanisms. Decontrolling the prices of the means of production and of funds would create a more relaxed economic climate. This reform strategy would control inflation and would produce a situation of price stability, economic coordination, and social stability; it would also provide assurance in the form of a system for long-term, stable development of the national economy.

## 3. Development and Reform Require a Healthy Ideological Climate

Development and reform require a relaxed economic climate and, what is more, a healthy ideological climate. If we wish to establish a healthy ideological climate, we must adhere to and develop Marxism-Leninism; we must adhere to the four basic principles, and we must adhere to the policies of reform, decontrol, and invigoration; we must liberate our thinking, relying not merely on higher authority or on books, but on reality, seeking facts from experience; and, today, we must add to this not relying solely on the West. We

must study the good things from the West, but we must remember and learn from the historical lessons of our predecessors who relied solely on the West. How can we create a healthy ideological climate for development and reform? I have several comments.

1. For development, cutting back is correct, and we must also continue eliminating from our economic work any "Left" ideological influence, with its impatience for fast results that exceeds the country's capacity. As for the issues of growth rate and scale, we must resolutely sweep away the "Left" and its ideological influence; at the same time, we must establish a stringent system for democratizing macroeconomic policy-making and making it more scientific.

2. In banking, we must resolutely do away with the trend of thought that holds that inflation is harmless. We must continue doing away with the thinking that inflated demand can be used to spur economic growth. In Keynesianism, only when demand is severely inadequate can financial demand be expanded to regulate supply that exceeds demand, which increases inflation. However, when demand is inflated, slavishly copying Keynesianism will only destroy economic growth. This point has been demonstrated by the economic policies of many Western countries. If we copy the Keynesian theory, using demand inflation to generate economic growth, this would be tantamount to saying that it is proper to use inflation to generate economic growth; this would necessarily result in higher prices, which would dampen the masses' enthusiasm and throw economic development into chaos. This would only be a "quick fix" to long-term problems.

3. Financially, we must continue eliminating the thinking that deficits perform a service. There are people in China who push this theory; the basis for this theory is that without deficits it would have been impossible to achieve today's excellent situation. This "excellent situation" is the great achievement of the line, program, and policies adopted since the Third Plenary Session of the Eleventh Party Congress; how can it be attributed to deficits? Under special circumstances, socialist countries may develop national credit and issue some government bonds; this is called a post-stagnation deficit. If government bonds follow the principle of voluntary purchase and their interest and capital are repaid on time, they may be an acceptable expedient measure. However, continuing to use financial issues of currency to make up hard-deficit shortfalls in a country's annual revenue and expenditure is harmful and devoid of benefit. Even Western countries avoid using this approach.

Naturally, the ideological climate involves a number of major political issues, which will have to be discussed in another article.

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## CALL FOR SHIFT IN FOCUS OF MONETARY POLICY

Shanghai SHIJIE JINGJI DAOBAO in Chinese 11 May 87 p 6

[Article by Fan Di [5400 2769], chief editor of JINRONG YANJIU, and Chen Zhao [7115 2507], chairman of the Finance Department of the Central Finance Research Institute: "We Should Shift the focus of Our Monetary Policy: If We Cannot Shift the Focus of China's Monetary Policy As Quickly As Possible From Simple Control of the Money Supply to Regulation of the Demand for Funds, We Cannot Notably Improve the Efficacy of Our Monetary Policy. To Bring About a Shift in the Focus of Our Monetary Policy, We Should Start by Shifting the Focus, Renewing the Principles, and Improving the Climate of Control."

[Text] Practices over the past few years already prove that it is difficult to obtain ideal effects with a monetary policy focussed primarily on simple control of the money supply. Looking at our experience over the past few years, tightening the money supply has not only fundamentally failed to weaken the volume of demand for funds in the overall national economy, it has also continuously widened the gap between funding supplies and demands. The expansion of investment and consumption is at a temporary standstill because of a simple shortage of funds, while the entire economy is still under the pressure of latent demand. Simultaneously, a "tight" monetary policy often damages the supply side of the equation: if it is not that production growth is slowed, then it is that goods are difficult to sell. Under these circumstances, the central bank is frequently compelled to relax the money market and increase the input of money and credit, with the result that wide swings occur in monetary policy and economic activity.

#### The Focus of Control in Monetary Policy Is Incorrect

Why does China's monetary policy seem so completely passive, and why are results less than ideal? We believe that the fundamental reason is that the focus of control in monetary policy is incorrect. Right now the emphasis of our monetary policy is on quantitative controls over money and the scale of credit. As for whether and how these policy measures affect the demand for funds, this has been given very little consideration. Inevitably, this has seriously affected the results of China's monetary policy.

1. Originally expansion and contraction in the volume of money had two possible effects on the economy: if it could not be absorbed by changes in the demand for funds, it could only be absorbed by production fluctuations. Consequently, if people were powerless to adjust the scale of demand for funds, a "tight" monetary policy could only lead to contraction on the supply side.
2. Even when the central bank is able to control the volume of money supply, it is frequently difficult to check growth in the scale of monetary disbursements in society as a whole. Consequently, if monetary policy cannot suppress the level of demand for funds, enterprises and individuals must have the ability to sustain a former scale of monetary disbursements (such as that extant in 1985) by lowering marginal savings.
3. Even more important, in a situation where the demand for funds is high and does not decline, more often than not the central bank is compelled to abandon the "tight" monetary policy, and bank flexibility becomes a lever that pries loose a new round of expansion in investment. Consequently, because the monetary policy loses stability and consistency, overall economic activity swings back and forth between "expansion" and "contraction."

In fact, in any given system of economic organization, the effectiveness of a monetary policy hinges exclusively upon the degree to which it affects the level of demand for funds. The demand for funds directly reflects the level of monetary disbursements expected in the principal marketplace, and thus it determines the basic state of overall social demand can spur changes to suit the money supply. Otherwise, the money supply can only change passively in coordination with the demand for funds.

#### Achieving the Three Major Shifts in Focus for Monetary Policy

Obviously, if we cannot change the focus or China's monetary policy as quickly as possible from simple control of the money supply to regulation of the demand for funds, we cannot notably improve the efficacy of our monetary policy. From the perspective of current economic and financial conditions in China, if we are to bring about a shift in the focus of our monetary policy, it is essential that we start with the following three areas:

1. We must shift the focus of control. We should not be fixated merely on money and the scale of credit; rather we should wield interest-rate policies to a greater extent. Specifically, a "tight" monetary policy does not necessarily signify a credit blockage; rather it should mean that the floating price of funds is allowed to rise. Not only can this stimulate the principal market to shift a rather large portion of monetary income into savings, thus lowering the "potential energy" of demand for funds, it will also avoid "smothering" enterprises that truly have a basis for existence.
2. We must renew the principles of control. We should change our old methods of "target controls" and "volume management" and establish a system

focused on asset substitution to regulate the demand for funds. Right now China has very few kinds of monetary assets. Under these circumstances, not only is there no way to ensure that enterprises and residents have a free economic choice between investment, consumption, and saving, but we may distort the marginal cost of asset substitution and thus intensify the demand for funds. Consequently, in the future we should gradually arrange for various kinds of marketable securities to go on the market to ensure that enterprises and individuals have a good deal of room to maneuver in choosing their assets. On this basis, through the effect of the central bank's interest-rate policies on the cost of substituting different kinds of assets, we should proceed to adjust the scale of demand for funds and the level of monetary disbursements throughout society.

3. We must improve the climate control. Right now, contradictions often arise between China's monetary policy and other economic policies. For example, on the one hand we must tighten up the bank, and on the other hand we must maintain relatively rapid production growth. Thus, the central bank is often at a loss as to what to do. Consequently, one prerequisite to achieving a shift in the focus of our monetary policy is that we must eliminate friction between different policies. In this process, the most important thing we must do is to change the rigid growth in planned output. If growth in macroeconomic output is rigid, the amount of assets retained through microeconomic means will always be inadequate. Thus, expanding investment has practically become an instinctive impulse among enterprises. In this kind of climate, the money supply can only expand following investment expansion.

Therefore, hereafter the overall national economic growth rate should be determined to a greater extent by the market. The state, on the other hand, should use monetary and financial policies and so forth to rectify the deviation between actual economic growth and planned objectives. Only in this way can monetary policies truly become a means of regulating the economy.

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## VICE FINANCE MINISTER CITES STATE REVENUE FIGURES

OW101825 Beijing XINHUA in English 1211 GMT 10 Jul 87

[Text] Beijing, July 10 (XINHUA)--The January-June state revenues and expenditures were 90.35 billion yuan and 85 billion yuan--a surplus of 5.35 billion yuan, Tian Yinong, vice-minister of finance has said.

These represent a 1.7 percent and 3.1 percent decreases, respectively, from the corresponding figures for the same 1986 period, Tian told a current national meeting on financial work.

The surplus was not final because some spendings are scheduled for the second half of the year, Tian added.

The official attributed the decreased revenue in part to enterprises' poor economic efficiency.

During the first five months this year, state-owned industrial enterprises achieved a 11.2 percent increase in output value, but the increase was a mere 0.8 percent for their profits, Tian noted.

More enterprises are in red, due to a decrease in their sales profits and profits calculated against their output value, Tian said.

The official blamed some areas and departments for failing to bring the over-heated construction and other spendings under control, noting that construction is continuing on some projects not included in state planning.

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CSO: 4020/238

## PEOPLE'S BANK OF CHINA TO DRAFT MORE REGULATIONS

OW071054 Beijing XINHUA in English 1045 GMT 7 Jul 87

[Text] Beijing, July 7 (XINHUA)--The People's Bank of China will work out more laws and regulations this year to improve the legal system in the country's financial sector.

According to a report in the current issue of FINANCIAL NEWS the new regulations will include:

- "provisional regulations on bill management";
- "regulations for agricultural loans";
- "regulations governing individual loans";
- "provisional regulations on forfeiture";
- "regulations on audits";
- "regulations on foreign debt registration";
- "measures for the management of foreign currency handled by trust and investment institutions";
- "provisional regulations on old-age pensions and insurance for retirees of collective enterprises";
- "provisions on life insurance policies"; and
- "provisional regulations on double insurance for motor vehicles."

Since 1978, China has published 38 financial regulations governing bank administration, foreign currency management, gold and silver, loans and credit, currency-issue and banks with foreign loans in special economic zones.

With the continuation of China's financial reform, the People's Bank of China has set up a department just for drafting financial laws and regulations. Other specialized state banks are also creating their own legal departments and hiring lawyers.

All China's banks are required to follow the financial regulations worked out by the State Council and keep their staff up-to-date on current financial and legal information.

## BANK REPORT SHOWS LOANS, DEPOSITS INCREASING

OW111320 Beijing XINHUA in English 1220 GMT 11 Jul 87

[Text] Beijing, July 11 (XINHUA)--The Industrial and Commercial Bank of China (ICBC), the largest in the country, provided enough loans to back up the industrial and commercial sectors in the first half of this year, according to a bank report released today.

ICBC's loans outstanding at the end of June amounted to seven billion yuan more than that in January.

The deposits outstanding increased by 26.2 billion yuan, of which 19.8 billion yuan came from savings deposits of urban residents, the report says.

Great efforts were made by ICBC local branches to direct funds more reasonably so as to improve efficiency. Priority was given to competitive and profit-making enterprises, to technical transformation schemes, to setting up new commercial centers and to commercial discount services, the report says.

At the same time, the bank helped enterprises save funds amounting to over five billion yuan.

"Since more funds are expected to be needed in the latter half of the year, greater efforts are required to raise funds, and to help enterprises to save funds and improve efficiency, especially in large and medium-sized enterprises," the report points out.

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## ON ESTABLISHING CENTRAL BANK'S INDEPENDENCE

Shanghai SHIJIE JINGJI DAOBAO in Chinese 11 May 87 p 6

[Article by Lin Guobao [2651 0948 1405] and Lin Hao [2651 6275] under the rubric "Discussions of Problems": "How Can We Establish Relative Independence for the Central Bank?--We Must Work Earnestly To Establish a System in Which All Levels of the Central Bank Are Guided Vertically by the Central Bank's Head Office Alone, and in Which the Head Office Is Responsible to the NPC; We Must Establish a Specialized Banking System Controlled by the Central Bank; and We Must Develop and Perfect Three Major Policies"]

[Text] A relatively independent central bank is one of the fundamental conditions necessary for controlling monetary issue and maintaining currency stability. Relative independence means that the central bank formulates monetary policy and determines the volume of money supply on its own responsibility and without outside interference. Under current circumstances in China, due to the limitations of certain institutional facilities, the operating mechanisms of China's central bank stand in opposition to the principle of relative independence. This is expressed in three specific ways:

1. The Relationship of the Central Bank to Local Governments

Although the branches of China's central bank are not directly subordinate to local governments, local governments nevertheless wield considerable influence in the appointment and removal of branch personnel. The reason for this is that, in its work, the central bank must rely on local government support. Because each level of local government undertakes responsibilities that differ from those undertaken by each corresponding level of the central bank, if local governments have a great deal of influence on the branches of the central bank it is possible that they will work to accomplish their own tasks at the expense of branch objectives. For example, government is responsible for reducing unemployment and maintaining prosperity, and it will often demand that the central bank issue more money, thereby sacrificing the stability of currency. Obviously, when local governments restrict the operating mechanisms of central bank branches, this provides the soil to foster direct orders to issue credit. It is also one factor leading to loss of macroeconomic financial control. Limitation or even elimination of the influence that various levels of local government exert

on various levels of the central bank is one fundamental condition for achieving a relatively independent central bank. This requires that we work earnestly to establish a system in which all levels of the central bank are guided vertically by the central bank's head office alone, and in which the head office is responsible to the NPC.

## 2. The Central Bank's Relationship to Specialized Banks

Specialized banks in China all have their own head offices, and each level of a specialized bank can apply for credit not only to the corresponding level of the central bank, but also to its own head office. Under these circumstances, the central bank is no longer the single final creditor. Consequently, no matter what head-office monetary policy each level of the central bank puts into effect, the results may be weakened, offset, or intensified because specialized banks can obtain credit from their own head offices. Thus, results may deviate from the central bank's policy objectives. It is thus evident that the operating mechanism that allows each specialized bank to establish its own head office inevitably hampers the implementation of monetary policy. Consequently, one essential prerequisite for achieving a relatively independent central bank is to change the situation of "four taps to control the water" and establish a system in which the central bank's head office controls every level of the bank, and the various levels of the central bank control the specialized banks.

## 3. The Central Bank's Control Measures

Right now the central bank controls the scale of specialized bank credit through differential quotas. However, differential quotas are still calculated based on the planned scale of credit. In this plan, the difference between reserves and credit determines the issue of cash. This is true not only in the formulation of the plan, but also, inevitably, in the results of its implementation. That is to say, when the credit plan is well-executed cash is issued according to plan, but when the credit plan is poorly executed cash is issued based on the actual gap between reserves and credit. Once the credit plan is out of control, it will inevitably prompt cash inputs to go out of control. Because of this, the operating system based on differential quota controls may possibly force the central bank to issue more currency. As a result, one basic condition we must meet to achieve a relatively independent central bank is that we must develop and perfect three major policies--that is, we must manipulate the deposit reserve ratio, the rediscount rate, and the public marketplace--and ensure that they completely supplant the differential quota control system. Only if we apply these three major policies can we ensure that the central bank will independently decide on the issue of high-energy currency and then proceed to control the currency supply.

The above three points illustrate that, to achieve a relatively independent central bank, we must concentrate on specific operating mechanisms and in this way point up the defects in the setup of the system. Thereafter we can institute suitable reforms. Otherwise, even if we employ legal measures it will be difficult to achieve our goals.

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## BRIEFS

ECONOMIC COOPERATION--Beijing, July 6 (XINHUA)--The Bank of China has dealt with 573 investment programs, involving an investment of nearly one billion U.S. dollars and one billion yuan since it opened trust and investment services in 1983. It has also handled 414 international leasing items worth 100 million U.S. dollars and 90 million yuan, according to the FINANCIAL TIMES. The bank focused on Sino-foreign joint ventures involved in transport, energy and tourism industries. So far, the bank has invested 2.1 billion U.S. dollars in the construction of 157 joint ventures in 22 provinces, municipalities and autonomous regions. [Text] [Beijing XINHUA in English 1106 GMT 6 Jul 87] /8309

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## XINHUA ASSESSES COMPETITION FOR PRC FACTORIES

OW121248 Beijing XINHUA in English 1216 GMT 12 Jul 87

[ "Roundup: Major Enterprises Being Challenged" by correspondents Chen Jianfa and Mei Jun--XINHUA Headline]

[Text] Beijing, July 12 (XINHUA)--China's 8,000 major industrial enterprises, the lifeline of the country economy, are now being challenged at home and abroad.

Both the Beijing general internal-combustion engine plant and a factory affiliated with General Motors of the United States have an employment of 10,000; whereas the former's output of engines is less than 10 percent of the latter's.

The Beijing plant is not the only major Chinese industrial enterprise lagging behind advanced international standards in terms of productivity, product quality, technology, management, etc.

Textiles are China's staple export commodities. With outdated finishing, printing and dyeing processes, the Shijiazhuang No 2 cotton textile mill, one of China's leading textile exporters, in the Hebei provincial capital of Shijiazhuang, can only export such low-grade products as grey cloth.

China's new industrial sectors such as hard alloys are also behind international standards as a result of the chaotic "cultural revolution" (1966-76).

Zhang Jingmen, chief engineer of the Zhuzhou hard alloy factory in Zhuzhou in central China's Hunan Province, said that in the early 1960s, his factory was on a par with its counterparts in Sweden, the world's top hard-alloy producer, in terms of economic and technological standards.

"During our visits to Sweden in the early 1980s," he went on, "we were astonished to find swedish hard-alloy manufacturers had taken on a new look with regard to technological processes, product quality and management."

Zhang told XINHUA, "I have to admit my factory is 15 years behind the advanced international standards in terms of technological processes."

Major Chinese enterprises are even more backward in management, compared to their foreign counterparts. For example, in terms of productivity, the Jinan No 1 machine tool plant, one of the largest of its kind in China, in the Shandong provincial capital of Jinan, matches up to only 6.7 percent of its counterpart, Yamazaki Company of Japan. In terms of the speed of the capital turnover, the Japanese firm is 11 times as fast as the Jinan plant.

In terms of the man-hours, Chinese machinery plants run one to two hours slower than their counterparts in the developed countries, according to managers at the Wuxi oil pump and nozzle factory in Wuxi, Jiangsu Province.

The latest statistics show that the 8,000 major industrial enterprises make up at least half of China's industrial output value, and contribute, in profits and taxes, half of the country's annual revenue.

Executives of these enterprises share the view that unless they speed up reforms and the opening to the rest of the world, their factories will inevitably fall behind.

Wang Daochun, director of the Baoji petroleum machinery plant in Baoji, Shaanxi Province, said, "The gap between us and our foreign counterparts means in essence a crisis, which we cannot afford to overlook."

In the meantime, major enterprises are being challenged by rural factories and smaller urban factories, which have grown faster in recent years.

According to statistics from Beijing, smaller factories scored an annual increase of 13.9 percent in output value during China's Sixth 5-Year Plan period (1981-85), compared to a 5.9 percent rise chalked up by major ones.

With the opening of various markets, major enterprises are usually no match for smaller ones or rural enterprises in competition because of lack of flexibility.

The Hangzhou universal coupling factory in the suburbs of Hangzhou, the capital of Zhejiang Province, employed only seven people and owned 4,000 yuan (about 1,000 U.S. dollars)-worth of fixed assets when it was founded by farmers Lu Guanqiu a dozen years ago.

Now, it has 1,000 workers and 20 million yuan-worth of fixed assets, and earns five million yuan in profits a year. Last March, it was chosen as one of China's ten best enterprises for management.

The cities of Suzhou, Wuxi and Changzhou in Jiangsu Province, Foshan in Guangdong Province and Yantai in Shandong Province have topped the 10 billion yuan mark for industrial output value by relying largely on smaller urban factories and rural enterprises.

The 8,000 major enterprises, which have turned over 1,000 billion yuan in profits and taxes to the state over the past three decades, used to rely on the state for the marketing of their products, and the supply of raw materials and energy at government-listed prices, which are usually lower than the market prices. But now these favorable conditions are vanishing with the opening of the capital goods markets.

Employing large numbers of senior technicians and managers is another advantage of major enterprises. However, the last few years have seen an increasing number of these people leaving for smaller urban factories or rural factories, which offer them better working and living conditions.

Aware that major enterprises are being challenged at home and abroad, China's top policymakers have decided to take it as a paramount task to invigorate major enterprises in the ongoing economic reform.

Beginning December 1986, the Beijing municipal authorities instituted in 100 major enterprises various initiative-based managerial responsibility systems, under which enterprises can retain what they earn after delivering a certain amount of profits and taxes to the state or tie wages to economic efficiency.

Other major manufacturing centers such as Shenyang, Dalian and Wuhan are also introducing such systems.

Leading economists here in China's capital share the view that the reform in major enterprises is complex and therefore it will take time for major enterprises to regain the upper hand after shaking off the present pressure at home and abroad.

To achieve the goal, executives of major enterprises have called for work to improve the managerial mechanism within enterprises while accelerating China's overall economic reform.

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**INDUSTRIAL ASSOCIATIONS: NEW FORM OF ENTERPRISE MANAGEMENT**

Beijing JINGJI LILUN YU JINGJI GUANLI [ECONOMIC THEORY AND BUSINESS MANAGEMENT] No 3, 28 May 87 pp 46-49

[Article by Zhao Dequn [6392 1795 5028] of the Policy Institute of the Nanjing Municipal Commission: "A New Organizational Form for the Enterprise Management System: Industrial Associations"]

[Text] I. In the last two years, a number of industrial associations, developed and organized by enterprises in a given industry, have sprung up in Nanjing, Wuhan, Shanghai and elsewhere. How was this new, nongovernmental and nonenterprise form of organization produced?

Two important aspects of urban reform are the separation of government and enterprise and the turning over of authority to enterprises. This has led to a disintegration of the old enterprise management system, and it is just this disintegration that has provided these industrial associations with the opportunity to exist and room for maneuvering. The old enterprise management system, in operation for several decades, put the government-enterprise relationship on the track of dependence and compartmentalization. The problem with compartmentalization is, first, that it tears apart the industrial integrity formed by the socialized division of labor, causing estrangement and isolation among enterprises in the same industry. Clearly, until this old enterprise management system was destroyed, this new organizational form of industrial association could basically not have been created.

The old enterprise management system not only created compartmentalization of industry, it also led to a certain lack of management in industry. This is because the government's overcentralized, excessively rigid control of enterprises necessarily led to a lack of management or perfunctory management. The result was that the government's responsible departments were only able to manage those enterprises that they themselves operated and that were directly dependent on them; they did not have the resources to manage other enterprises in the same industry that were not directly under them, that were outside the system, and that were publicly run. This created a sort of management vacuum.

During this process of destroying the old enterprise management system and beginning to change over to the new system, this management vacuum is rapidly expanding. There are two main reasons for this. First, some responsible

departments, instead of turning over authority, simply washed their hands of it, reducing the range of their management, dealing only with those enterprises that could still be managed on the basis of the old administrative, vertical procedures, thereby expanding the management vacuum. Second, stimulated by the policy of decontrol and invigoration, many new enterprises have been set up. Only a few of these new enterprises are run by the responsible departments. These new enterprises have cropped up outside the effective scope of the compartmentalized old enterprise management system or were produced following the attack on this compartmentalization. The old enterprise management system does not have room for them. Many of these newly opened enterprises were concerned that they were unable to find a unit to take responsibility for them, on which they could be dependent. Because of this, the new enterprises urgently needed to establish their own industrial organization. Scientific and technical institutions run by the local people are of this type, as are urban credit cooperatives.

There are three characteristics to enterprises found in the management vacuum. 1) Unchecked expansion of their own production capacity, leading to excessive growth and competition throughout the industry. 2) Inability to participate in the exhibitions and spot sales held by the responsible departments, and a consequent lack of familiarity with market dynamics. 3) In the absence of management and restraints, it is easy for products to be shoddily made and their quality to deteriorate. More important, enterprises in the management vacuum have no one to see that they develop horizontal economic relations and assist them in seeking products, technologies, and associates. In fact, this affects not only those enterprises not managed by responsible departments but also those enterprises directly under responsible departments. This is because the latter, in order to exploit their advantages and improve their results, also urgently need to find possible targets for cooperation, and these are outside the purview of the responsible departments. Many enterprises have learned through experience the harmful nature of the management vacuum and have therefore established their own self-governing industrial organization, the industrial association.

II. From the foregoing it is clear that industrial associations were developed and organized by enterprises in the same industry. However, although they are the product of unprecedented behavior by enterprises, they are ultimately neither enterprises nor economic entities, which meant that once they came into existence their behavior would be completely different from that of enterprises. By analogy to "enterprise behavior," the behavior of industrial associations will be called "association behavior."

Association behavior involves, first, self-management and autonomous operation. In the preparatory stage, the industrial associations that have now been organized repeatedly sought the views of enterprises in the same industry; they were started up by some industries (mostly key industries) and were voluntarily joined by other enterprises. The associations drafted their own charters, raised their own funds, established their own structure, selected their own cadres, and handled their own work without administrative interference by the responsible departments; from the beginning, they were characterized by democratic, autonomous management.

Second, industrial associations are like a wedge driven into the previously rather slack relationship between government and enterprise. This rather loose relationship made it possible for this wedge to be inserted, while at the same time putting pressure on the industrial associations and limiting their maneuvering room. Under these special conditions, the industrial associations sought to survive through service, providing various services to the many enterprises within the same industry in order to expand their influence and open up a front, gradually establishing their own position. Their services are mainly of four types: technical consulting, specialized training, supply and marketing liaison, and providing information.

Third, after its creation, each industrial association, seemingly without exception, undertook an industry survey, which constitutes another important association behavior. What is the significance of an industry survey conducted by an industrial association? First, the enterprises involved in such a survey went far beyond the effective scope of management of the responsible departments, and far beyond the realm of specialized enterprises originally established as appendages and dependencies of those departments, to include many enterprises dissociated from the responsible departments and falling within the management vacuum. This was the beginning of the end of the situation that had long existed in which the overall conditions of the enterprises were unclear, with extreme compartmentalization within each industry, which was created by the responsible departments; this was a solid step forward on the road towards industrial management, which we have sought for so many years. Second, industry surveys done by industrial associations better represent an industrywide viewpoint and angle and are better able to adapt to the objective demands of the transitional phase from the old enterprise management system to the new.

III. The appearance of the industrial associations has turned the monadic structure of the government-enterprise relationship in the enterprise management system into a triangular structure comprised of government, enterprises, and the industrial associations. Two sides of the triangle described above--the launching of the relationships between government and enterprise and between enterprise and industrial association--are here turning towards the remaining side: the relationship between government and industrial association.

An industry is the product of the production of commodities; the integrity of an industry is, first of all, a manifestation of the division of labor. Once a new social division of labor is created to develop production of commodities, a new enterprise is necessarily born along with it. Therefore, the enterprises that governmental departments wish to manage cannot be very few in number. Managing, planning, and guiding so many industries according to the specific characteristics of each is an onerous task that the responsible departments are in fact not willing to accept. The destruction of industrial integrity by the old compartmentalized enterprise management system is a major stumbling block not only to the launching of horizontal relationships by enterprises but equally so to the implementation of enterprise management by the government. If each industry is a tray of sand, then the responsible departments are obligated to establish direct contact with each individual grain; this is an

awesome number of grains, and it greatly weakens the capacity of the responsible departments for macroeconomic regulation and control.

Experience has shown that industrial management by the responsible departments requires industrial integrity and a certain degree of autonomy. This impels the responsible departments to pay close attention to and utilize the industrial associations and to seek out their help in reinforcing horizontal economic relationships within the industry, gradually creating industrial integrity and developing industry autonomy.

At the end of last year, the Nanjing First Light Industry Bureau commissioned the industrial association to exercise some of the government's managerial functions, using the association to develop industrial management. In this way, a nongovernmental organization like the industrial association is able to act like a government agency, within the scope of its commission, with management authority; it conducts surveys of product quality throughout the industry, the targets of its inspections including both association members and nonmembers. Experience has shown that all such work can be turned over by the government to the industrial association. Not only is the association able to handle this work, but it does it better than the government.

This transfer of authority is a sign that the industrial association has entered a new stage. It has gone from providing services solely to enterprises to serving government departments as well; it has a "bidirectional" service capacity. Since this change was achieved by the government turning over some management functions, it can also be acknowledged that the industrial association has now gone from its initial stage as a "service model" to a "service and management model;" vis-a-vis enterprises, the association provides services and management. During this fundamental change, the industrial association itself changed from "soft" to "hard," with support from the government as well as management authority. We see here that the phenomenon of turning over authority, which arose in the government-association relationship in the enterprise management system, led to a corresponding change in the association-enterprise relationship. This relationship is very much like a chain, with the industrial association being an intermediate link in the chain. It is precisely because there is this intermediate link, this intermediary that government agencies are able to raise the management hierarchy, not dealing directly with enterprises but shifting from direct to indirect management. Conversely, without such an intermediate link as the industrial association, the government would have to deal directly with enterprises, resulting in a management hierarchy that is too low, with management spanning too great an area, greatly weakening its capacity for macroeconomic policy-making, regulation, and control.

This transfer of authority greatly expands the range in which the industrial association is able to put its abilities to use, turning the association into a very promising new type of organization within the enterprise management system and gradually bringing to the fore an embryonic form of China's new enterprise management system, a unified, three-part triangular structure including government, industrial association, and enterprises.

IV. Finally, we shall discuss the role to be played in the near term within this triangular structure by the industrial association.

1. It will serve as a buffer in the vying for authority between government and enterprise. A recent survey of 300 factory directors in the country's electronics industry showed an intense struggle for authority between administrative agencies at all levels and enterprises. Just in the area of organizations within enterprises, the various departments in the administrative agencies all require enterprises to set up corresponding structures; those few enterprises that set up organizations according to actual need are subject to censure from the higher authorities. At the same time, the administrative departments are carrying out an ever more detailed division of labor, with excessive and excessively detailed management, and they force enterprises to set up corresponding organizations in response. Under these circumstances, the intervention of industrial associations has provided a new chance to solve the problem. That is, the industrial association, which is a highly evolved means of separating government and enterprise and of turning authority over to enterprises, is able in turn to become a force promoting this evolution.

This is determined by the capacity of the industrial association to take on the authority entrusted to it by the government, and to what extent it can become an intermediary in the exercise of management by government departments. The existence of such an intermediate link is a precondition for the withdrawal of government institutions from the "contiguous areas" on which disputes over authority arise with enterprises. It is obvious that the primary reason such disputes arise between government and enterprise is that the management functions exercised by the various government departments are associated directly with the enterprises, without any intermediate relationship. Until effective exercise of these management functions can be assured, no responsible government agency will be able to initiate withdrawal from these "contiguous areas" and cease its interference in enterprise business.

Why is reform of administrative-type industrial management companies proceeding rather slowly? The basic problem is that these administrative companies are in fact playing the role of the government departments in exercising management functions; the facts show that until a new, intermediate link has appeared, neither administrative management companies nor those that have already converted from administrative to enterprise-style companies will be able to avoid having to do a certain amount of administrative work. Several successful experiments in turning administrative companies into enterprises also illustrate this point.

Naturally, even if the industrial association is able to become an intermediate link exercising the management functions of government departments, this does not imply that the government has halted all direct, mandatory interference in enterprises; when necessary, the government will still need to become directly involved.

2. Serving as representative of various types of enterprise groups. I use "enterprise groups" here rather than "integrated economic entities" because

the former is broader and may include very loose associations, on-again off-again combinations, and associations dealing only in information and other software. The various forms of enterprise groups formed through horizontal economic integration among enterprises further complicate things for the responsible departments. Consideration should be given to the fact that implementing authorized management over these enterprise groups according to subordinate relationships either cannot be done or is risky. If the enterprises belonging to a group were not originally dependent on any department, then proceeding according to subordinate relationships is equivalent to dismembering the group. If the enterprises belonging to a group were originally under a department, then it will be possible for the responsible department to utilize the enterprise group, turning it into a new management level. This has happened at some "main factories" and "integrated companies." Obviously, the nature of management according to subordinate relationships is direct management, and the problem of the intermediate link has not been solved. And the industrial association is still able to offer a new possibility for this intermediate link. Management of these enterprise groups is no exception.

Regardless of how complicated the various forms of enterprise groups are, each one necessarily manifests the particular internal relationships within the industry, since each enterprise group must basically adhere to the law of socialist division of labor. In this sense, enterprise groups might also be called industrial groups. From this we can clearly see the basis for the industrial association exercising management at times over the enterprise group. Specifically, management of various types of enterprise groups could be performed entirely by industrial associations. After large enterprises were turned over to the central cities, failure to change the planning, funding, and supply channels meant not only that the local management bureaus managed them poorly but that the local, overall economic departments such as planning commissions and economic commissions also managed them poorly. It would be better to establish industrial associations with these departments at the head, or to establish industrial associations on the basis of the enterprise groups they form, and to let the associations exercise management under conditions of relative autonomy for the industry. For the central cities, this would be one feasible means of exercising indirect control over enterprises that did not previously manage themselves. For the groups of enterprises formed, the industrial association can open channels and negotiate with the government. Clearly, the industrial association is not only an intermediary through which the government can move from direct to indirect management over those enterprises it originally managed, it is also an intermediary through which the government can exercise indirect management over those enterprises it previously did not manage. The roles played here by the industrial association may be said to be two paths to the same goal, putting different types of enterprises on the track towards indirect management. This also means that the industrial association is able to become an aid to the government in exercising indirect management under two completely different sets of circumstances.

Finally, the enterprises in areas around the central cities often form enterprise groups with enterprises in those cities. If the spatial gap between these enterprises is greater than the long arm of governmental authority in

the central cities, the city government will not be able to exercise direct management. For managing such enterprise groups, the industrial association is obviously an intermediate link deserving priority consideration. The industrial associations in Nanjing, Wuhan, and elsewhere in fact have taken in as members many enterprises from areas surrounding the cities and in the economic zones. This has promoted bringing enterprises not within the management reach of city governments under management; this has broken through the compartmentalization according to administrative divisions under the old enterprise management system and will facilitate future management of enterprises according by central cities and economic zones.

13322  
CSO: 4006/793

## PROVISIONAL REGULATIONS ON CONSTRUCTION TAX

OW090528 Beijing XINHUA Domestic Service in Chinese 0014 GMT 5 Jul 87

[Text] Beijing, 5 Jul (XINHUA)--Provisional Regulations of the People's Republic of China on Construction Tax

(Promulgated on 25 June 1987 by the State Council)

Article 1. These regulations are established to control the scale of fixed asset investment and adjust the structure of construction investment in the interest of making funds available to ensure the implementation of key state construction projects.

Article 2. Local governments, organs, groups, PLA units, state-owned enterprises and institutions, collective enterprises and institutions, and individually owned shops and stores using the following funds for investment in self-arranged capital construction, investment in construction projects involved in technological transformation, and investment in construction projects not included in the state fixed asset investment plan according to the relevant rules (hereinafter referred to as self-arranged construction investment) are payers of construction tax (hereinafter referred to as taxpayers) and shall pay construction tax in accordance with the provisions of these regulations:

1. Funds not covered by the state budget;
2. Local reserve funds;
3. Bank loans (including foreign-exchange loans);
4. Funds owned by enterprises and institutions (including funds used by their competent departments under centralized planning); and
5. Other self-raised funds.

Article 3. Construction tax shall be levied at the following differential tax rates:

1. The tax rate is 10 percent on self-arranged capital construction investment and investment in construction projects involved in technological transformation within the state plan made by local governments, organs, groups, PLA units, and state-owned enterprises and institutions. If the annual amount of self-arranged capital construction investment exceeds the state plan, the tax rate on the extra investment shall be 20 percent. If a copy of the fixed asset

investment plan is not sent to the tax office and the bank collecting construction tax on its behalf as stipulated or if the plan does not clearly specify the nature of the self-arranged construction projects as stipulated, the tax rate shall be 20 percent.

2. The tax rate is 20 percent on self-arranged capital construction investment and on investment in construction projects involved in technological transformation made by local governments, organs, groups, PLA units, and state-owned enterprises and institutions provided such investment is not covered by the state plan. The tax rate is 10 percent on investment in those construction projects that are not included in the state fixed asset investment plan according to the relevant rules.

3. The tax rate is 10 percent on self-arranged construction investment made by urban collective enterprises and institutions either in urban or rural areas and by village and town enterprises and individually owned shops and stores in cities, suburbs, county seats, towns under the jurisdiction of counties, and industrial and mining areas.

With regard to self-arranged capital investment made by village and town enterprises and individually owned shops and stores in rural areas, the provincial, regional, and municipal people's governments concerned may decide to levy construction tax on those sectors or projects that are subject to control and adjustment. The tax rate shall be 10 percent.

4. The tax rate is 20 percent on investment in guesthouses (including tourist guesthouses), hostels, sanatoriums, theaters, auditoriums, meeting halls, office buildings, and sale-exhibition buildings (halls and centers) not covered by the state plan; other nonproductive projects to be strictly controlled; as well as building construction and expansion projects and projects to raise the standard of construction in the name of maintenance and renovation.

Article 4. Investment in self-arranged capital construction and investment in construction projects involved in technological transformation within the state plan referred to in Article 3 of these regulations are investment in projects arranged by provincial, regional, and municipal planning commissions and economic commissions or by the competent departments of the State Council on the basis of the annual plan for investment in self-arranged capital construction and plan for investment in technological transformation projects passed to them by the State Planning Commission and in accordance with the related regulations.

Distinction between technological transformation projects and capital construction shall be based on the criterion set by the state.

Article 5. The following categories of self-arranged construction investment are exempt from construction tax:

1. Investment in productive facilities for energy-development projects (including those for energy conservation), transport facilities, educational facilities in schools, medical and nursing facilities in hospitals, and research facilities in scientific research departments;

2. Investment in projects using loans from international banking organizations, loans or gratuitous funds provided by foreign governments, and other gratuitous funds received from abroad and investment in related auxiliary projects;
3. Investment covered in the state capital construction plan for which the appropriation of funds has been changed to a loan and investment using big and medium capital construction project loans issued from deposits in the People's Bank of China, the Industrial and Commercial Bank of China, and the Bank of China;
4. Investment using special capital construction loans approved by the State Council;
5. Investment in social welfare projects, pollution control and environment protection projects as well as projects for recovery from natural disasters of various kinds; and
6. Investment with special Finance Ministry approval for exemption from construction tax.

With regard to other categories of self-arranged construction investment made by taxpayers that need state support and preferential treatment, if the total taxable amount of investment is no more than 500,000 yuan, tax reduction or exemption may be considered on merit by the provincial, autonomous regional, or municipal People's Government.

Article 6. Construction tax is computed on the basis of the actual amount of investment made in the year by the taxpayer.

The taxpayer should, within 15 days after receiving the approved version of the annual capital construction investment plan or technological transformation investment plan, make advance construction tax payment to the local bank where an account has been opened according to the investment amount planned for the year. The account should be settled within 2 months after the end of the fiscal year. The final account should be settled after the completion of the construction.

Article 7. When submitting a self-arranged construction investment plan, the taxpayer should have on hand the required amount of payable construction tax. The plan may be refused by the departments to which it is submitted for examination and approval if the required amount of payable tax is not prepared.

Article 8. Tax offices will be responsible for the collection and management of construction tax. The People's Construction Bank of China, the Industrial and Commercial Bank of China, the Agricultural Bank of China, and other concerned banks where an account has been opened shall be the collection agents. Where tax payment is not made in due time according to the regulations, a collection agent bank may act in coordination with a tax office to withhold the amount due.

Article 9. When announcing the annual fixed asset investment plan, the planning commissions, economic commissions, and other departments in charge at various levels should clearly spell out the capital construction and technological transformation projects to be built with self-arranged investment as well as the projects of these arms categories of self-arranged investment that are not covered by the state plan and send copies of their plans to the tax office at the corresponding level as well as the tax office and collection agent bank of the same locality where the construction project is located.

Article 10. The collection and management of the construction tax should be handled in accordance with the "Provincial Regulations of the People's Republic of China on the Collection and Management of Taxes and Revenues."

Article 11. The Ministry of Finance will be responsible for the explanation of these regulations. The rules for the implementation of the regulations will be formulated by the Ministry of Finance.

Article 12. These regulations will go into effect on 1 July, 1987. On the same day, the "Provisional Regulations on the Collection of Construction Tax" promulgated by the State Council on 20 September 1983 will be abrogated.

/9738

CSO: 4006/803

## PREFERENTIAL TREATMENT FOR EXPORT-ORIENTED, HI-TECH ENTERPRISES

Beijing GUOJI MAOYI [INTERTRADE] in Chinese No 4 1987, 27 Apr 87 pp 33-37

[Article by Chu Baotai [0443 0202 3141] and Dong Weiyuan [5516 5633 0954]: "Improving the Investment Mix and Economic Returns"]

[Text] The "Provisions for the Encouragement of Foreign Investment" promulgated by the PRC on 11 October 1986 (hereafter referred to as 22 Points) aim to encourage foreign investment in China across the board, emphasizing, however, export-oriented enterprises and technologically advanced enterprises (hereafter abbreviated as the two kinds of enterprises).

1. Emphasis on investment in the two kinds of enterprises is the result of learning from 7 years of experience in absorbing international investments.

Since China began opening to the outside world and wooing international capital extensively in 1979, it had attracted a total of \$7.43 billion in foreign funds in the 7 years up to the end of December 1986 and created 7,783 Sino-foreign joint ventures, Sino-foreign contractual joint ventures, and wholly foreign-owned enterprises (all referred to hereafter as enterprises with foreign investment.) Judging from the fact that about \$1.06 billion in foreign capital were absorbed and 1,112 enterprises were set up each year, investment has grown fairly rapidly. The distribution of investment too is by and large quite sound and consistent with the need of national economic development. Specifically, these are the characteristics of investment distribution:

1) A large proportion of foreign funds is invested in hotels and apartments, 44, 45, and 10 percent of investments in Sino-foreign joint ventures, contractual joint ventures, and wholly foreign-owned enterprises, respectively. From a historical point of view, we are now in the early phase of the open policy, when foreign businessmen and tourists are flocking to China. Existing hotels are not suitable for accommodating them. It is this marked demand that has been attracting foreign investors. These investments have proved instrumental in improving the investment climate and promoting tourism. Be that as it may, we must not over-invest in this area. Already, numerous hotels are under construction in several major cities. If over-building is unchecked, the supply of hotel rooms will exceed demand.

According to incomplete statistics, 431 tourist hotels financed by foreign investors had been approved for construction around the country by late 1986.

Before new sources of tourists are found and capacity for air transportation is increased, further investments in hotel building will assume additional risks in provinces and municipalities with a relatively heavy concentration of foreign investments, such as Guangdong, Shenzhen, Fujian, Beijing, and Shanghai.

2) Energy investments have made good progress, as manifested primarily by the following: (1) The Guangdong Nuclear Power Investment Company has formed a joint venture, Guangdong Electric Power Plant, with China Power Company of Hong Kong. With a combined investment of \$3.7 billion, the power plant has an installed capacity of 1.2 million kw. Both equipment and technology are first-rate by international standards. (2) The China National Coal Development Corporation has teamed up with the Bank of China, China International Trust and Investment Corporation, and Occidental Petroleum Corporation of the U.S. in a joint venture to build the Shanxi Pingsuo Open-cut Coal Mine, with a price tag of \$650 million and a projected production capacity of 18 million tons per year. In conjunction with this project, the electrification of the Datong-Qinhuangdao and Beijing-Qinhuangdao lines as well as the construction of the Qinhuangdao coal wharf, both financed by Japanese government loans, will be completed at the same time to facilitate the outbound shipment of Shanxi coal. (3) Thirty seven contracts on off-shore petroleum prospecting and development have been signed. Physical prospecting has been carried out in 420,000 square kilometers of water, over 100 wells have been drilled, and more than 40 oil-bearing structures have been discovered. The Bohai Chengbei oil-field, a contractual joint venture with Nippon Petroleum Co. Ltd., and Beibuwan oil field in Yingge Hai, a contractual joint venture with Dao Da Er Co. of France, have gone into production. (4) China Huaneng Company, a Sino-foreign joint venture, is building coal-fired power plants in energy-deficient regions using loans and imported technology. (5) Beijing General Machinery Plant and Babcock and Wilcox Corporation of the U.S. have set up a joint venture to build large-scale power plant boilers. The first 200,000-kw boiler has been put into service. (6) Shanghai Foxboro Co. Ltd., a Sino-U.S. joint venture, can now provide complete sets of electronic control systems to all kinds of power plants.

3) Progress in the field of transportation: (1) Technical design is under way on the Guangzhou-Shenzhen Expressway, which is being built by Guangdong in cooperation with Hong Kong. (2) The Railway Automation Communication Equipment Co. Ltd., a joint venture between the Shanghai Railway Signal Company and the U.S., has opened for business and begun marketing its products overseas. (3) Beijing Jeep Co. Ltd., a joint venture with U.S. investors, has been exporting its new products abroad. (4) The Shanghai Volkswagen Automotive Co. Ltd., a joint venture with German investors, is drawing up plans to expand the production of the Santana. (5) Guangzhou Peugeot Automotive Co. Ltd., a joint venture with France, has been selling its light trucks on the domestic market. (6) The Shanghai Bell Telephone Equipment Manufacturing Co., a joint venture with Bell Telephone Manufacturing Co. S.A. of Belgium, has been providing about a dozen municipal telephone bureaus with modern program-controlled telephone exchanges as contracted. (7) The China Xunda Elevator Co. Ltd. in

Shanghai and Beijing and the China Otis Elevator Co. Ltd. in Shanghai have begun equipping high-rise buildings and public buildings at home and abroad with group-control high-speed elevators and automated passenger conveyor belts. (8) Construction is under way on the deep-water port at Shenzhen Mawan, which is wholly financed by the San Da Zhuang Private Ltd. of Singapore. With a length of 315 kilometers and consisting of 12 berths, it is a large-scale containerized port with a computerized management system.

4) Progress in the mechanical and electronic industries: (1) Wang Laboratory Inc. of the U.S. has set up the Wang Computer (China) Co. Ltd. in Shanghai. (2) The China Hewlett-Packard Electronic Co. Ltd., a joint venture between the Hewlett-Packard Corporation of the U.S. and China, has been supplying the domestic market with a variety of electronic testing equipment. (3) Philips B.V. of the Netherlands and Siemens Akitienges-Ellschat of West Germany have each set up joint ventures with China in Beijing to produce domestic appliances. (4) Sanyo Electric Corporation of Japan has created a wholly Japanese-owned enterprise in Shenzhen to manufacture stereo equipment, television sets, and electric-appliance parts. A host of small-scale electronic equipment manufacturing facilities have been built by foreign investors in Xiamen and Foshan, among other places.

5) Progress in the raw materials industry: (1) Qinhuangdao Bendix Tube Manufacturing Co., a joint venture with Bendix Corporation of Australia. (2) Qinhuangdao Arab Joint Chemical Fertilizer Co. Ltd., a joint venture with Kuwait and Tunisia. (3) shen Aluminum-Processed Equipment Manufacturing Co. Ltd., a joint venture with Kobe Steel Manufacturing Co. Ltd. of Japan.

It can be seen from the above that despite the substantial progress of foreign investments in the industries targeted by the state--energy, transportation, machinery, electronics, and raw materials, they still fall far short of its objectives. In the machinery and electronic industries, there has been an excess of imported assembly lines and too much dependency on assembling complete sets of imported parts into finished products. Since most of the finished products are sold inside the nation, the result is a shortage of foreign exchange for both the state and enterprises. The raw materials industry has absorbed the least foreign capital and achieved no breakthrough in its effort to substitute the vast quantities of imported raw materials for the steel and chemical fertilizer industries with domestic products. The "22 Points" were intended exactly to remove whatever is not entirely sound or satisfactory about the distribution of foreign investment described above. The idea is to channel foreign capital into export-oriented enterprises to make good the shortfall in foreign exchange and into technologically advanced enterprises to make products to replace imports.

## 2. The 22 Points Offer Preferential Treatment to Two Kinds of Enterprises

Preferential treatment for the two kinds of enterprises is contained in the eight provisions from Article 3 through Article 10 of the 22 Points.

1) The enterprises are exempted from payment to the state of all subsidies to staff and workers, including grain subsidies, edible oil subsidies, non-staple foodstuff subsidies, and transportation subsidies. Now that they are exempted

from paying to the state various subsidies, what other labor costs do enterprises with foreign investment have to pay? This question is answered by the "Regulations Governing the Autonomy of Enterprises with Foreign Investment to Employ Workers and Determine Wages and Insurance and Welfare Expenses" announced by the Ministry of Labor and Personnel on 28 November 1986. It contains two sections, the personnel autonomy of enterprises with foreign investments, and employee wages and insurance and welfare costs.

On the autonomy of enterprises with foreign investment in the hiring of personnel:

(1) In accordance with its production and operation requirements, an enterprise may determine by itself its organization, structure, and personnel system and, with the assistance of the department of labor and personnel in its locality, recruit and employ staff and workers on its own through examination and selection on a merit basis. In the event that engineering and technical personnel or operation and management personnel required are not available in the locality, the enterprise may recruit outside the locality after the department of labor and personnel in the province, autonomous region, or municipality directly under the central government where it is located has consulted with and obtained the consent of the department of labor and personnel in the district concerned. (2) With respect to on-the-job engineering and technical personnel, operational and management personnel, and technical workers whom an enterprise with foreign investment has decided to hire after examination, the units originally hiring them shall permit their transfer. In the event of a dispute, the department of labor and personnel in its locality shall adjudicate. (3) Provided that they demonstrate in action they are equal to their duties, senior management personnel hired on the recommendation of the Chinese party with the consent of the board of directors shall not be transferred at will to other duties during their tour of duty without the permission of the board of directors. (4) An enterprise with foreign investment may dismiss personnel who are not qualified for their posts after having worked on a probationary basis or undergone training, and personnel who become redundant as a result of changes in the production or technical conditions of the enterprise. It may impose differing penalties, including dismissal, to staff and workers who have violated the rules and regulations of the enterprise and caused damage, in accordance with the seriousness of the case.

On the wages and insurance and welfare expenses of staff and workers: (1) The wages of staff and workers in an enterprise with foreign investment shall be determined by the board of directors. They shall be no less than 120 percent of the average wages in state-owned enterprises with similar conditions, of the same trade, and in the same locality. Wages shall be adjusted gradually according to the economic performance of the enterprise. (2) An enterprise with foreign investment shall pay into the retirement and pension funds and unemployment insurance funds for staff and workers from the Chinese party in accordance with the stipulations of the people's government in the locality. The insurance and welfare available to staff and workers during their employment shall be decided in line with relevant provisions of the Chinese government concerning state-owned enterprises. The expenses required shall be disbursed from the costs and expenses of the enterprises. (3) An enterprise with foreign investment shall pay housing subsidy funds in accordance with the

provisions of the people's government in the locality. The Chinese party in the enterprise shall use such funds to subsidize the building and purchasing of houses for staff and workers.

2) Reduction in site use fees. (1) Enterprises with foreign investment shall pay 5 to 12 yuan per square meter per year in areas where the development fee and the site use fee are computed and charged together. They shall be charged not more than 3 yuan per square meter per year in areas where the development fee is computed and charged on a one-time basis or in areas which are developed by the enterprises themselves. Specific fee levels shall be determined by the people's governments of the province, autonomous region, and municipality directly under the central government in light of the actual conditions in the city and within limits set by state laws. When land is required for a project in science , education, and public health, for environment protection, or for other public causes, an enterprise with foreign investment may reclaim land from the sea on its own or transform and improve abandoned land. Fee exemption for specified periods of time may be granted at the discretion of the local people's government. Enterprises affirmed as belonging to the two kinds of enterprises have been charged land use fees in accordance with the above criteria since the day the 22 Points went into effect. (2) Where the Chinese party has used its land use rights as part of its investment, it shall pay the land use fee in accordance with state provisions. Where the Chinese party calculates the site use fees for the duration of the project on a one-time basis and converts them into shares in the project, the original contract shall usually be adhered to and not be altered. If changes must be made, all parties to the venture must be consulted and give their unanimous consent. Application shall be made to the original examination and approval authority for its permission.

The procedures of applying for site use rights and paying site use fees are as follows: (1) Enterprises with foreign investment that need sites shall apply to the land management department of the people's government at the appropriate level. At the central level, the National Land Bureau is the land management organ, while the Ministry of Rural and Urban Construction and Environmental Protection is the organ in charge of urban construction, land use, and urban planning. The land use applicant shall submit a land use application form to the department in charge above the county level, along with approved design documents or other legally valid documents. Upon the approval of the application, a land use permit shall be issued. When an enterprise uses a piece of land temporarily, it shall be issued a temporary land use permit by the land department in charge. The duration of temporary land use shall not exceed 2 years and no permanent structures may be erected on land for temporary use. The land use period of an enterprise with foreign investment shall coincide with the number of years in which it stays in business. When the land use period expires or when an enterprise goes out of business before expiration, the land in question must be returned. The land an enterprise is allowed to use shall not be transferred, mortgaged, or otherwise used for unauthorized purposes. Resources on the land and underground shall not be damaged. Where production and operations require an extension of the land use period, application for such application shall be made 6 months before the period expires. (2) Land use fees shall be paid annually from the day the land use permit is issued. For the first calendar

year, the enterprise shall pay a half-year fee if it has used the land for over 6 months and no fee at all if less than 6 months. Starting with the second calendar year, the enterprise shall pay to the local People's Construction Bank before the 30 June the land use fee for the entire year.

3) Financial and credit support and assistance in balancing their foreign exchange accounts shall be offered to enterprises with foreign investment :(1) The Bank of China extends to the two kinds of enterprises four types of loan: fixed asset loans, circulating fund loans, loans mortgaged by foreign exchange, and reserve loans. Fixed asset loans include capital construction funds, technical transformation and engineering construction fees, technology and equipment purchase costs, and installation charges. Loans can take four forms: short- and medium-term loans, syndicated loans, and project loans.

Circulating-fund loans include loans an enterprise needs to carry out regular production and circulation activities, production reserve and transportation volume loans, provisional loans, and balance overdrafts.

Loans mortgaged with foreign exchange can be divided into two categories: short-term, and medium- and long-term. The maturities of short-term loans are 3 and 6 months and 1 year. The long-term loans carry maturities from 1 year up to 5 years. The foreign currencies that can be used as mortgages are limited to the U.S. dollar, Japanese yen, Hong Kong dollar, West German mark, and pound sterling. The amount of a Renminbi [RMB] loan shall not exceed the value of the foreign currency at the exchange rate as announced by the State Administration for Exchange Control on the day the loan is made. Neither Renminbi loans nor the foreign currency submitted by the borrower as mortgage shall bear interest. The transaction shall not be subject to changes in exchange rates and the maturity of a loan cannot be changed. Upon maturity, the borrower shall repay the original RMB amount in exchange for the return of the mortgaged amount of foreign exchange. If a RMB loan is not repaid upon maturity, the mortgaged foreign exchange shall be turned over to the People's Bank of China.

(2) Enterprises with foreign investment are allowed to mutually adjust their foreign exchange and Renminbi among themselves. Enterprises which propose to buy or sell foreign exchange shall apply to the local foreign exchange control department or foreign exchange regulation exchange and complete a currency adjustment application form. A transaction may take place only with the approval of the foreign exchange control department. Buying and selling prices shall be negotiated by the buyer and seller face to face autonomously and voluntarily. Enterprises with foreign investment may adjust only such foreign exchange as that required within their scope of operations or to repay principal and interest, remit profits, and pay the wages of foreign employees and workers. The foreign exchange and Renminbi that enterprises with foreign investment may buy or sell are limited to incomes they have earned from their operations, investments made by shareholders to meet operational needs, and loans borrowed from banks. Enterprises shall not buy or sell currency for another party, nor shall they buy foreign currency from a third party and then resell it on the exchange.

(3) Enterprises with foreign investment are allowed to purchase and export domestic products to balance their foreign exchange accounts. Enterprises which have run into difficulties temporarily in balancing their foreign exchange accounts are permitted by law to purchase and export domestic products (except those centrally managed by the state) within a specified period of time. Such an enterprise shall first apply to the local provincial department of foreign economic relations and trade, stating the sum of foreign exchange and the corresponding sum of Renminbi needed that year to purchase domestic products for export, the names of the products, specifications, quantity, and export channels. The approved quantity of domestic products to be purchased by an enterprise with foreign investment shall be limited by the amount of foreign exchange required to make up for what is needed in its production and operations for the year and in helping the foreign investor to remit its earned profits abroad or in its termination and liquidation. Enterprises with foreign investment that are approved to purchase and export domestic products to balance their foreign exchange accounts shall mainly purchase products manufactured in the provinces, autonomous regions, or municipalities where they are located. If they need to purchase them in other provinces, they shall first obtain the permission of the provincial-level foreign economic relations and trade department of the relevant provinces, autonomous regions, and municipalities. Enterprises with foreign investment which are approved to purchase and export domestic products to balance their foreign exchange accounts may export the products by themselves or by China's foreign trade corporations acting as their agents. In either case, the products must be shipped out of China and sold abroad, and must not be re-sold within China. The purchase and export of commodities that require state export licenses or are subject to export quotas shall be approved by the Ministry of Foreign Economic Relations and Trade [MOFERT]. The purchase and export of other commodities should be approved by provincial-level foreign economic relations and trade departments and then be reported to MOFERT for record purposes.

### 3. The Affirmation and Evaluation of the Two Kinds of Enterprises

To implement the 22 Points, MOFERT has drawn up the "Regulations Concerning the Affirmation and Evaluation of Enterprises with Foreign Investment." Under the regulations, an enterprise with foreign investment whose products are mainly for export (either by the enterprise itself, by foreign trade companies acting as its agents, or by other methods), whose exports account for at least 50 percent of its output value, and which balances its foreign exchange accounts or has a surplus for that year shall be regarded as an "export-oriented enterprise." The following formula may be used in determining whether or not an enterprise with foreign investment balances its foreign exchange accounts:

Surplus in foreign exchange accounts at year end = surplus from preceding year's accounts + foreign exchange revenues for current year - foreign exchange expenditures for current year

that is,  $W = A + B - C$

In this formula, W must be positive or at least 0. Both A and B must be values already realized in business contracts, that is, they must be accounts already settled in banks, not just contracts which have been signed but not executed. C should include the expenses of imported equipment, raw materials, parts, wages of foreign employees and workers, bonuses, and other foreign exchange expenses the enterprise incurs in its operations.

An enterprise with foreign investment that uses advanced production technology, processes, and key equipment; that falls into a category where foreign investment is encouraged by the state; that makes products in short supply in China; and that manufactures new products or upgrades and replaces existing products in order to increase export-derived foreign exchange or for import substitution, shall be regarded as a technologically advanced enterprise. The making of new products, product upgrading, and product replacement in this context include changes in the product mix and new practical changes in industrial design. "In short supply in China" refers to products that are scarce or nonexistent in China.

An enterprise with foreign investment that is both export-oriented and technologically advanced shall choose only one of these and claim the appropriate preferential treatment.

The government department to affirm and evaluate whether an enterprise with foreign investment meets the criteria as an export-oriented or technologically advanced enterprise is the provincial, autonomous regional, municipal foreign economic relations and trade department in the province, autonomous region, municipality directly under the central government, or municipality with province-level economic decision-making authority where the enterprise is located. Should the enterprise concerned be located in a special economic zone, the department responsible shall be the people's government (management commission). Export-oriented enterprises and technologically advanced enterprises run by government departments and other organs under the State Council shall all be affirmed and evaluated by MOFERT.

The procedures of applying for affirmation and evaluation as export-oriented enterprises or technologically advanced enterprises are as follows: (1) The enterprise shall submit an affirmation application form together with copies of the enterprise contract, the feasibility study report, and government documents approving them. (2) The examination and approval authority shall review the above-mentioned documents and give a clear-cut response within 30 days after receiving them by either granting or denying affirmation. If the enterprise is affirmed, it shall be issued an affirmation certificate by the examination and approval authority. The original of the affirmation certificate, signed and sealed by the examination and approval authority, shall be kept by the enterprise for record purposes. Copies of the certificate shall be filed with MOFERT and the State Economic Commission. (3) An enterprise shall send its annual export plan and export achievement statistical tables to the original examination and approval authority. The latter shall enlist the proper departments to evaluate and assess the enterprise's annual export performance, technical standards, product quality, and the extent to which Chinese parts are being used. A list of the two kinds of enterprises that have successfully met set criteria shall be compiled and

distributed to the departments concerned, affirming that these enterprises shall continue to enjoy the full range of preferential treatments, pay reduced taxes or fees, or be exempt from them in the new year. An affirmed export-oriented or technologically advanced enterprise that fails to pass inspection for 3 successive years may have its affirmation certificate revoked by the examination and approval authority.

Affirmation application forms for the two kinds of enterprises, affirmation certificates, export planning forms, export performance assessment forms, and enterprise foreign exchange balancing forms shall be designed centrally by the MOFERT and shall be distributed by foreign economic relations and trade departments at all levels. The two kinds of enterprises already affirmed by the provinces, autonomous regions, and municipalities directly under the central government shall be issued affirmation certificates retrospectively after standardized forms are printed.

Preferential treatments for the two kinds of enterprises will help rationalize China's investment mix. Macroeconomically, they will have a positive supplementary effect on China's socialist economic construction. Microeconomically, they will promote operational efficiency within enterprises with foreign investment.

12581  
CSO: 4006/731

## FUJIAN INCREASING ELECTRONICS EXPORTS

OW081711 Beijing XINHUA in English 1406 GMT 8 Jul 87

[Text] Fuzhou, July 8 (XINHUA)--The import of technology and equipment to upgrade electronics enterprises has helped Fujian Province export the same amount of electronics in the first five months of this year as in the whole of 1986.

A provincial official said here today that Fujian exported 6.52 million U.S. dollars-worth of electronics products during the January-May period of this year. He predicted greater exports in the second half of this year, with the mass production of new products.

During the 1981-85 period, Fujian spent 170 million yuan (about 46 million U.S. dollars) importing 70 electronics production lines and key equipment to upgrade 115 electronics production lines and key equipment to upgrade 115 factories, mainly in the provincial capital of Fuzhou and the Xiamen special economic zone.

Now, the province also has five electronics research institutes, one secondary technical school, the product testing institute, one import and export company, and an agency in Hong Kong.

Fujian's electronics industry employs 30,000 people, including 2,500 engineers and technicians, and has 10 foreign-funded enterprises, the official said, adding that it manufactures one billion yuan worth of goods a year.

The industry is now capable of making 1.2 million TV sets, 1.5 million tape recorders, 60,000 video-recorders and 10,000 microcomputers a year.

Fujian now exports 20 varieties of electronic products, including color TV sets, tape recorders, calculators, carbon-film resistors and aluminum capacitors.

Under a plan drawn up last April, the official said, Fujian will boost electronics exports by stepping up cooperation with other parts of China, attracting foreign funds, importing technology and developing new products.

Over the next few years, he went on, Fujian will concentrate on exports of color TV sets, tape recorders, video recorders, telephone sets, quartz watches and electronics elements. Development of new varieties of these products began in the second half of last year.

## FUZHOU MAYOR ON EXPANSION OF FOREIGN TRADE

OW081415 Beijing XINHUA in English 1130 GMT 8 Jul 87

[Text] Fuzhou, July 8 (XINHUA)--Fuzhou will spend 500 million yuan (135 million U.S. dollars) to buy export goods from local enterprises this year.

At the fifth session of the 8th Fuzhou People's Congress, Mayor Hong Yongshi said, the city's foreign trade departments spent 200 million yuan (54 million U.S. dollars) to buy export goods in the first five months of 1987, which is 35.9 percent more than the same period last year.

According to statistics, over the same period, the city's industrial output value increased 24.8 percent.

Fuzhou's export volume hit 387 million yuan (105 million U.S. dollars) in 1986, a jump of 34.8 percent over the previous year, the mayor added.

In a bid to meet international market demands, Fuzhou is setting up industrial and agricultural export networks, which focus on the light, textile, chemical, and aquatic products industries.

"The city is also trying to set up more enterprises with foreign capital from overseas Chinese," the mayor said, adding over 800,000 Fuzhou natives now live abroad.

"More work should be done to continue improving the investment environment and encouraging foreign investors to direct funds to the energy and transportation industries, and to industrial and agricultural development projects," the mayor said.

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CSO: 4020/239

## RULES FOR ENFORCING CUSTOMS LAW

OW121002 Beijing XINHUA Domestic Service in Chinese 0710 GMT 1 Jul 87

[Text] Beijing, 1 Jul (XINHUA)--Detailed Rules and Regulations for Enforcing Disciplinary Sanctions of the Customs Law of the People's Republic of China

(Approved by the State Council on 30 June 1987 and Promulgated by the General Administration of Customs on 1 July 1987)

#### Chapter I General Provisions

Article 1. In order to enforce the stipulations of the "Customs Law of the People's Republic of China" (hereafter called the "Customs Law" for short) for legal liabilities, the following detailed rules and regulations have been formulated according to Article 60 of the "Customs Law."

Article 2. The detailed rules and regulations are applicable to smuggling that does not constitute a crime or that constitutes a crime but is exempt from prosecution or criminal penalty, and to acts that violate the stipulations for customs control.

#### Chapter II Smuggling and Penalty

Article 3. Any of the following acts shall be considered smuggling:

1. Transporting or carrying goods that the state forbids to enter or leave the country, or articles or goods that are restricted by the state for exportation or importation or that are required to pay customs duty without the approval of the State Council or its authorized organs and at a place without a customs office.

2. Transporting, carrying, or mailing by hiding, camouflaging, filing false reports, or other deceptive means to evade customs control goods that the state forbids to enter or leave the country, or articles or goods that are restricted by the state for exportation or importation or that are required to pay customs duty at places with a customs office.

3. Selling tax-free goods imported with special approval, other customs controlled articles, or foreign transportation vehicles entering the country without customs approval and paying duty.

4. Selling goods imported with reduced tariff for special enterprises with specific purposes, or transferring special goods imported with reduced duty or duty free for a designated area to another place without customs approval and paying the duty.

Article 4. Any of the following shall be considered and handled as an act of smuggling:

1. When goods or articles smuggled into the country are purchased directly from smugglers;

2. When goods and articles whose import and export are banned by the state are delivered, purchased, or sold in inland sea or territorial waters; or when goods and articles not legitimately certified, and whose import and export are restricted by the state are delivered, purchased, or sold.

Article 5. Any one of the acts listed in Article 5, 3 and 4 of these enforcement rules shall be punished according to the following rules:

1. Whoever smuggles articles whose import and export are banned by the state shall have the smuggled articles and illegal income confiscated; and he may also receive a fine of up to 50,000 yuan RMB;

2. Whoever smuggles goods or articles whose import and export are restricted by the state or subjected to tariff shall have the smuggled goods or articles and illegal income confiscated; and he may also receive a fine of not more than the value of the smuggled goods or articles, or for a sum up to three times the amount of their customs duties;

3. Goods and articles used for covering up smuggled goods or articles shall be confiscated; and special equipment for concealing smuggled goods or articles shall be confiscated or ordered to be destroyed.

When smuggled goods and articles cannot be confiscated, a sum equal to their value shall be collected.

Article 6. When two or more people are involved in a smuggling case, they should be punished according to their respective responsibilities.

Whoever conceals what he knows, or whoever renders assistance to smugglers, shall have his illegal income confiscated; he may also receive a fine of up to two times the amount of the illegal income. If he has no illegal income, he shall receive a fine of up to 5,000 yuan RMB.

Article 7. Whoever provides the means or other conditions for smuggling shall be given a punishment lighter than those prescribed in Article 5 of these enforcement rules.

Article 8. Anyone of the following may be lightly punished, or exempt from punishment:

1. Minor cases of smuggling;
2. He who confesses and reports other smugglers;
3. One whose act of smuggling is not discovered until 3 years later.

The 3-year period is assessed from the date when the act of smuggling takes place. If it is a continuous act, the assessment is made from the date when the last act of smuggling takes place.

### Chapter III Violations of Regulations for Customs Control, and Penalty

Article 9. Violation of regulations for customs control refers to an act that violates customs regulations but does not constitute an act of smuggling.

Article 10. Whoever imports or exports goods without authorization or license in violation of the state's regulations for import and export control shall have the goods confiscated or have the delivery rejected; but one whose import or export has been approved and reissued a license by a licensing organ shall receive a fine of not more than the value of the goods.

Article 11. Any one of the following shall receive a fine of not more than the value of goods or articles, or a fine of up to two times the amount of taxes due:

1. Evading customs control and delivering, carrying, or mailing into or out of the country goods or articles whose import and export are restricted, but not banned, by the state; and the goods or articles are subjected to customs duties;
2. Unauthorized opening, withdrawing, consigning, dispatching, replacing, modifying, mortgaging, or transferring import or export goods under the customs office's control, or goods not yet cleared by the customs office;
3. Providing nonfactual records--or failing to provide a legitimate reason for the shortage--of goods in bond while handling their delivery, storage, processing, assembling, and consignment;
4. Misusing specially tax-reduced or tax-free goods or articles without the authorization of the customs office;
5. Making false statements in customs declarations for goods entering or leaving China;
6. Failing to reexport or reimport, within the prescribed period, goods tentatively opened for import or export, and withholding them inside or outside the country without authorization;

7. Failing to reexport transit goods, goods for relay transport, and goods for transshipment out of the country within the prescribed period; and withholding them inside the country without authorization; and

8. Unauthorized transferring of goods shipped by incoming or outgoing vehicles without having been authorized by customs or making up the unpaid taxes.

Article 12. Any of the following shall receive a fine of up to 50,000 yuan RMB.

1. The entry into or departure from the country of a vehicle at a location without a customs office without being approved by the State Council or an organ authorized by the State Council;

2. The unauthorized departure of an incoming or outgoing vehicle from a zone under the Customs Office's control without its consent;

3. When an incoming or outgoing vehicle which, upon proceeding from one place to another place where there is a customs office, changes course in the middle of the journey and leaves the country from a location where there is no customs office without going through previous customs formalities or having the approval of the Customs Office.

Article 13. Any one of the following shall receive a fine of up to 30,000 yuan RMB:

1. Failure of an incoming or outgoing vehicle to show the necessary documents--or documents with factual information--to the office for examination according to prescribed regulations, upon the arrival in or departure from a location where there is a customs office;

2. Failure of an incoming or outgoing vehicle to accept the customs office's inspection and examination of its goods and articles as required by regulations;

3. Unauthorized loading or unloading of goods or passengers by an incoming or outgoing vehicle without the customs office's consent;

4. When an incoming or outgoing vehicle which, without the customs office's consent, operates another business of providing cargo and passenger delivery services within the country, or services other than regular incoming and outgoing deliveries;

5. Using an incoming or outgoing vehicle for domestic transportation without going through the customs formalities;

6. The failure of a business providing storage, processing, assembly, or consignment, verification, and cancellation services; or to go through the customs formalities while terminating, extending, or transferring the relevant contracts, according to regulations;

7. Storage of goods subjected to the Customs Office's control in areas outside its control without its consent; or noncompliance with the Customs Office's control; and

8. Unauthorized opening or destroying the seals the Customs Office has put on a vehicle, warehouse, or storage yard.

Article 14. Any one of the following shall receive a fine of up to 20,000 yuan RMB:

1. The failure of an incoming vehicle, after entering the country and before reporting to the customs office--or an outgoing vehicle, after passing the customs formalities and before leaving the country--to proceed according to the routes designated by competent communications departments or the customs office;

2. The failure of any incoming or outgoing ship or vehicle carrying goods under the Customs Office's control to proceed according to the route designated by the Customs Office;

3. When an incoming or outgoing ship or airplane, for reasons of irresistible force, has to dock or land, or to discard or unload goods or articles, at a location without a customs office, fails to report to a nearby customs office without a legitimate reason.

Article 15. Any one of the following shall be required to pay taxes, or to return the articles, and may also be fined for a sum equal to the value of the goods:

1. An individual who, while carrying or mailing personal use articles into or out of the country, fails to declare the amount that exceeds the limit set by the Customs Office, but the excess is small;

2. An individual who, while carrying or mailing personal use articles into or out of the country, fails to declare factually to the Customs Office or to accept its inspection;

3. An individual who fails to carry out of, or into the country articles the Customs Office has registered and permitted to enter into or leave the country on a tentatively tax-free basis;

4. When articles of transit or passengers are retained in the country without the Customs Office's approval.

Article 16. Any of the following acts shall receive a fine of up to 1,000 yuan RMB:

1. Failure, without special reason, to give an advance notice to the Customs Office regarding the arrival or departure time and place of an incoming vessel, train, or airplane, or regarding the change in time and place.

2. Unauthorized opening or damaging of seals placed on goods by customs.
3. Interruption of the customs control over incoming or outgoing transportation vehicles, goods, and articles in violation of the customs regulations.

Article 17. Anyone carrying or mailing goods that the state forbids to enter or leave the country but voluntarily declaring them before customs inspection shall have them confiscated or be ordered to return them according to the regulations, and shall receive a fine depending on the circumstances.

Article 18. Anyone who slightly violates the customs control regulations, or who voluntarily confesses the violation, may receive a small fine or be exempt from penalty.

Penalty shall be waived for any violation of the customs control regulations that is discovered 3 years after its occurrence.

#### Chapter IV Handling of Smuggling and Violations of the Regulations for Customs Control

Article 19. Handling of smuggling and violations of the regulations for customs control shall be decided by a customs director general.

Article 20. A detention receipt shall be issued for goods, articles, and transportation vehicles detained by customs.

The form of detention receipt shall be uniformly designed by the General Administration of Customs.

Article 21. Customs may collect from the party involved or person responsible for the transportation vehicle a bail equal in value to any goods, articles, or transportation vehicles that cannot be detained.

Article 22. Goods, articles, and transportation vehicles detained according to the law must not be disposed of before a people's court verdict or customs penalty decision enters into effect. However, the customs may proceed to sell fresh or perishable goods and articles, retain the sales money, and notify their owners.

Article 23. Customs may notify by letter a bank or postal office to temporarily stop payment to any deposits or remittance verified by the customs as illegal income derived from smuggling, and at the same time notify the depositor or remitter. The period of temporary stop of payment shall not exceed 3 months. The deposits or remittance in question shall be handled by the customs according to the "Customs Law" and the detailed rules and regulations after a customs penalty decision comes into effect.

Article 24. Customs may impose a fine of up to 1,000 yuan RMB on leaders of any enterprise, institution, state organ, or social organization violating the "Customs Law" as well as personnel directly responsible for the violating in addition to penalizing the violating unit.

Article 25. Customs may temporarily suspend preferential treatment in tax reduction and exemption for any enterprise, institution, state organ, and social organization that violates the "Customs Law" and temporarily revoke its customs brokerage or the broker's certificate of persons involved, according to the circumstances of each case.

Article 26. Customs shall send a penalty notification to smugglers and violators of the customs control regulations regarding the penalty.

When the party concerned disagrees with the customs' penalty decision, he may submit a written request for reexamination to the customs office that has made the decision, or to the customs office at the next higher level within 30 days of receipt of the penalty notification. The customs office concerned shall decide on the reexamination and send the decision to the party concerned within 90 days of receipt of the written request.

When the party disagrees with the reexamination decision, it may appeal to the people's court within 30 days of receipt of the decision.

The party concerned may also directly appeal to the people within 30 days after receipt of the penalty notification. A party concerned that chooses to directly appeal to the people's court shall not be allowed to request reexamination by the customs office.

The form of customs penalty notification and reexamination decision shall be uniformly designed by the General Administration of Customs.

Article 27. The Customs Office may directly deliver its penalty notification or reconsideration decision to the party concerned. It may also do so through registered mail, and the date on the receipt is the date of the delivery. Nondeliverable mails should be announced; once announced, they are considered delivered.

Article 28. The penalty is effective if the party concerned neither requests reconsideration nor raises objection at court within the prescribed period.

Fines, illegal income, or the money equal in value of the smuggled goods or vehicle shall be paid in full within the time prescribed in the Customs Office's notification of penalty.

Article 29. If the party concerned penalized by the Customs Office does not have a permanent residence in China, he should pay his fines, illegal income, or money equal in value to the goods, articles, or vehicle before leaving the country. If the party concerned disagrees with the penalty, or if he cannot pay the fines before leaving the country, he should provide a security deposit or mortgage equal in value to the fines, or other forms of collateral acceptable to the Customs Office.

If the party concerned pays the fine according to schedule, the customs office shall promptly refund his deposit or mortgage; and the other forms of collateral shall also be immediately terminated.

Article 30. If the party concerned neither pays the fines, nor requests a reconsideration, nor contests the decision at court within the prescribed period, the Customs Office that metes out the penalty may confiscate the security deposit, or it may sell the goods, articles, or vehicles it has withheld as mortgage, to pay the fines; and it may also request the people's court to enforce the penalty.

Article 31. When the incoming or outgoing goods, articles, or vehicles are not confiscated, the fines meted out according to these enforcement rules do not exempt the party concerned of his obligations to pay customs duties required by law and pass the customs.

## Chapter V Appendix

Article 32. If customs officials abuse their authority, deliberately create difficulties, or stall in performing their supervisory duties and inspection, disciplinary measures shall be taken against them in accordance with the State Council's regulations for commanding and punishing state functionaries. In accordance with the seriousness of their cases, those who practice fraud, neglect their duties, or abet smugglers shall be dealt disciplinary measures according to the State Council's regulations on [as published] commanding and punishing state functionaries, or have their criminal responsibilities investigated according to law.

Article 33. The definition of the following terms used in these enforcement rules are:

"Articles" include currency, gold, silver, negotiable securities, and others.

"Equal value" is determined by the current retail value at the local state-operated market; if the price cannot be determined, it shall be assessed by the Customs Office.

When a figure is used along with "not more than" or "within," the figure itself is also included.

Article 34. Names of goods whose import and export are banned by the state shall be made public by the General Administration of Customs after they are determined by the General Administration along with the responsible departments of the State Council in accordance with the "Customs Law" and other relevant laws and regulations.

The names of articles whose import and export are restricted by the state shall be made public by the General Administration of Customs.

Article 35. The General Administration of Customs is responsible for interpreting these rules.

Article 36. These rules become effective on 1 July 1987.

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CSO: 4006/804

## BRIEFS

FUJIAN COMPANY'S OVERSEAS MARKET--Beijing, July 13 (XINHUA)--The Fujian International Economic and Technological Cooperation Company has signed 86 contracts worth 92 million U.S. dollars with foreign firms since its inauguration four years ago. According to the overseas edition of today's PEOPLE'S DAILY, the company, based in Fuzhou capital of Fujian Province, has done 40 million U.S. dollars in business since it was set up. It has 10 Sino-foreign joint ventures in other countries and has sent 3,000 workers to work in 10 countries. One joint venture, the Fujian-African Fishing Company, in Sierra Leone, caught 1,000 tons of fish and exported fish worth 140,000 U.S. dollars last year. The company has expanded into Southeast, East and South Asia, the Middle East, West Africa, and North and South Americas. It now has branched in Argentina, Bangladesh, Sierra Leone, Singapore, Thailand, the United States, Hong Kong and Macao. Over the past four years, the company has won 23 engineering contracts. The projects include land reclamation, road building, wharf, factory and office construction in Algeria, Mozambique, Thailand, Hong Kong and Macao. The Macao branch of the company has won ten engineering projects in Hong Kong, valued at 250 million Hong Kong dollars.  
[Text] [Beijing XINHUA in English 0802 GMT 13 Jul 87 OW] \6662

HAINAN FOREIGN TRADE INCREASES--During the first half of this year, Hainan region's foreign-trade exports reached \$29.32 million, thus fulfilling 52.19 percent of its annual plan and achieving an increase of 13.3 percent as compared with the same period last year. [Summary] [Haikou Hainan Island Service in Mandarin 1000 GMT 8 Jul 87 HK] /6662

CSO: 4006/811

## RENMIN RIBAO ON PAYING FOR USE OF LAND IN SHENZHEN

HK090835 Beijing RENMIN RIBAO in Chinese 4 Jul 87 p 1

[ "Dispatch" by YANGCHENG WANBAO reporter Xu Tingfei (6079 21185 2431) and RENMIN RIBAO reporter Cheng Kai (4453 0418): "Shenzhen City To Practice Plan for Paid Use of Land" ]

[Text] Reporters learned from the people's government of Shenzhen City that the revision of the reform program regarding the further separation of the rights to own and use land in special economic zones and the implementation of the use of land in return for payment on a comprehensive scale has been completed. The reform program will be implemented as pilot work in July.

The main content of this reform is that under the clear prerequisite that all land within the special economic zones belongs to and is under the unified planning of the state, the state will hold public bidding and inviter tenders in assigning the right to use land. Land users are required to pay higher economic prices than other competitors in public bidding and tenders if they are to acquire the right to use land.

In explaining the above arrangement, an official of the city government pointed out that public bidding is a public occasion in which units having the need to use land will compete with one another by quoting prices orally within a prescribed time and at a prescribed place for the right to use land, which will go to the one offering the highest price. Tendering means that land users tender which has the best development scheme and the highest price. When land is assigned by bidding and tenders, floor prices are set by the government and closing prices will only be confirmed at the very last moment of bidding or tender.

This official pointed out that after the implementation of the reform program, the operation and management of land will be monopolized by the government. All the revenue generated from the assignment of the right to use land will be held by the government. No unit or individual person can acquire the right to use land by means of power or relationship, and without paying an economic price.

In order to bring about the above reform, the Shenzhen City Government has invited experts and scholars of various fields to conduct a year of investigation, study, and demonstration.

Experts and scholars think that the implementation of the use of land in return for payment can bring the following "four advantages" to the construction of special economic zones and the management of cities. The government is benefited because it can recover land and obtain funds as soon as possible, increase the financial revenue of the state, and make land a real source of wealth: it can exercise effective macroeconomic control over the construction of the investment environment and the scale of infrastructural construction so that overall city planning can be carried through, and favorable policies adopted toward investors: the use of land in return for payment helps to maximize the economic results of land; and it helps to enhance the investment interest and confidence of foreign businessmen since public bidding and tenders are common practice in both foreign countries and Hong Kong, and foreign investors will accept the system when it is implemented.

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CSO: 4006/811

## SHENZHEN REVENUE BEGINS TO OUTSTRIP EXPENDITURES

HK140533 Hong Kong ZHONGGUO XINWEN SHE in Chinese 1200 GMT 12 Jul 87

[Text] Shenzhen, 12 Jul (ZHONGGUO XINWEN SHE)--This reporter learned from the Shenzhen City Finance Bureau that there has been a remarkable improvement in the situation whereby Shenzhen Special Economic Zone expenditure outstripped revenue. In the first half of this year, the city's budgeted financial revenue alone topped 424 million yuan, a surplus of more than 50 percent over financial expenditure for the same period last year.

In the past 6 months, although Shenzhen strictly controlled financial expenditure, its expenditure still increased by 17 percent against the same period last year, as required by some almost completed capital construction projects and by newly established units.

The increased financial revenue resulted mainly from tangible achievements made in raising revenues. The city's financial revenue for the first half of this year was 23 percent higher than the corresponding period last year.

The industrial and commercial tax collected by the customs house on behalf of the city's tax bureau, and local tax revenues increased simultaneously. The total volume of Shenzhen's imports and exports in the first half of this year increased by a big margin. The industrial and commercial tax collected by the customs house on behalf of the tax bureau came to 162 million yuan, or nearly 40 percent more than in the same period of last year. The large batch of enterprises established in the city over the last few years have produced economic results. Orders from other countries have increased in number and utilization of capacity has increased. The number of people entering and leaving Shenzhen is constantly on the increase, thus promoting development of the city's commerce. The Shenzhen government has offered special inducements to different enterprises, such as tax exemptions and reductions, bank interest rate reduction, and extended loan payment periods. Restrictions on bank loans have been considerably relaxed and loans needed by the enterprises for production and circulation use have thus basically been met. All these policies have provided a relaxed environment for economic development, activated the enterprises, and enhanced their capability to earn profits, thus forming a secure source of taxes. The city's local tax revenue in the past 6 months amounted to 239 million yuan or more, 13 percent higher than in the same period last year and constituting nearly 60 percent of total revenue.

The financial revenue of districts and counties under the jurisdiction of Shenzhen City all registered considerable increases, of which Shatoujiao District showed the biggest increase. Its financial revenues were 100 percent more than in the same period last year.

In the first half of this year, Shenzhen City delivered 48 million yuan to central and provincial financial departments and paid capital and interest totaling 62 million yuan to the banks.

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CSO: 4006/811

## SHENZHEN ECONOMIC CONSTRUCTION STATISTICS

HK101024 Guangzhou Guangdong Provincial Service in Mandarin 0300 GMT 8 Jul 87

[Text] According to the latest figures released yesterday by the Shenzhen city statistical bureau, Shenzhen city's economy during the first half of this year was flourishing comprehensively. The figures show: That during the first half of this year, the city's total industrial output value reached 2,402 million yuan, an increase of 67.7 percent as compared with the same period last year; that the city's total volume of retail sales during the first half of this year reached 1,498 million yuan, an increase of 12.9 percent as compared with the same period last year; that the city's budgeted revenue reached more than 424 million yuan, an increase of 23.2 percent as compared with the same period last year; and that the city's [words indistinct] also increased by over 100 percent as compared with the same period last year. The major reason for the city's relatively good economic results this year were that the city paid close attention to deepening reform and strengthening management and that the city popularized among enterprises throughout the city the factory manager and director responsibility systems as well as the system whereby the factory director takes responsibility for achieving fixed goals during his term of office, thus successfully improving all types of management relations. In addition, the city extensively conducted the "double increase and double economy" campaign; and all enterprises carefully worked out their budgets, reduced nonproductive spending, and succeeded in increasing income and practicing economy.

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CSO: 4006/811

## TIANJIN EXPORTS RISE AFTER 5-YEAR DROP

OW091908 Beijing XINHUA in English 1413 GMT 9 Jul 87

[Text] Tianjin, July 9 (XINHUA)--Tianjin's exports have continued to grow in the wake of a five-year drop, a senior official here announced today.

This major industrial and port city in north China--also one of the 14 coastal cities open to foreign investment--exported 755 million U.S. dollars-worth of goods in the first half of this year.

The figure was 29.5 percent over the same period of last year, and compared to 718 million U.S. dollars in the first half of 1980, the previous half-year peak, said Du Minghao, deputy director of the city's foreign economic and trade commission, at a news briefing.

It also means that the city's annual export quotas had been 62.1 percent fulfilled, Du added.

Tianjin suffered decreases in exports year after year from 1981 to 1985, but "things began to turn for the better last year," he said.

Between January and June this year, Tianjin concluded export transactions of 1,036 million U.S. dollars, up 12.9 percent over the same 1986 period and higher than the country's average increase, he said.

The official attributed the good result to ample supply of goods, implementation of the contract management responsibility system and adopting of flexible measures in foreign trade.

The first six months of this year also saw the city conclude contracts for 189 projects of processing with supplied materials and samples, assembling and compensation trade.

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CSO: 4020/239

## BRIEFS

TIANJIN JOINT VENTURES' EXPORTS--Tianjin, July 9 (XINHUA)--More and more joint-venture enterprises in Tianjin a major port city in north China, are producing export-oriented goods, an official of the Tianjin municipal foreign economic and trade commission said today. Of the 25 foreign-funded enterprises approved by the municipal government between January and June this year, 24 will be able to produce export-oriented goods, and 17 are expected to export half of their products. But in the same period last year, only 12 out of 18 such enterprises approved engaged in industrial production, the official noted. The 25 enterprises approved this year involve 22.72 million U.S. dollars in investment, of which 8.12 million U.S. dollars will be furnished by foreign investors. Since 1979, the Tianjin Municipal Government has approved 205 foreign-funded enterprises with a total investment of 512.45 million U.S. dollars, about half of which came from foreign businesspeople. Altogether, 115 of these have gone into operation, the official said. One of the 14 coastal cities open to foreign investment, Tianjin has been empowered to attract up to one billion U.S. dollars in foreign funds, the official said.

[Text] [Beijing XINHUA in English 1457 GMT 9 Jul 87 OW] /6662

HONG KONG COMPANY'S SITE PURCHASE--Luks Industrial will be the first company to acquire land in China which can be freely sold or rented to other parties without the prior approval of the Chinese authorities, according to Luks chairman K.T. Luk. Luks has agreed to purchase an 80,000 sq ft lot in Shekou, Shenzhen, to construct a six-story factory with a total floor area of 300,000 sq ft, Mr Luk said yesterday after the company's annual general meeting. Luks Industrial would pay for the site by instalments over the next four years, he said. According to the sale and purchase agreement, Luks Industrial would own the site for the next 25 years. After that, Luks could continue to operate its business in the building, after agreement with the Shekou government and payment of a premium. Luks will invest about HK\$15 million to construct the factory building, to be used to expand the group's colour television production. The company currently rents a factory in Shekou which produces 70,000 colour television sets a month. [Article by Anthony Sin] [Excerpt] [Hong Kong SOUTH CHINA MORNING POST (BUSINESS POST) in English 8 Jul 87 p 4 HK] /6662

CSO: 4020/239 —

## TALENT EXCHANGE CENTERS ENJOY LITTLE SUCCESS

HK250304 Beijing CHINA DAILY in English 25 Jun 87 p 4

[By Zhao Lijuan]

[Text] Since 1983, when national exchange of talent began officially, talent exchange centres throughout the country have dealt with 1.13 million applicants with professional knowledge. But only 160,000 were exchanged, 14 percent of the total.

Although the free flow of talent has been urged strongly, and many people want to change their jobs, many professionals complain that even normal flow is extremely difficult.

"The stagnant situation of the personnel management system has not been basically changed," an official at the Beijing Talent Exchange Centre told CHINA DAILY.

More than 2,000 people, most of them college graduates, have come to the centre wanting to change jobs this year. Only 10 percent have succeeded, or are going through the formalities.

"People who wish to change their jobs should wait for at least three months. Most of them need more time, even a year," the official said.

With the development of economic reform in China, talented people are wanting to find more suitable places for their abilities to make a greater contribution to society. So the flow of talent has begun and is becoming increasingly popular. People believe it is natural and coincides with the socialist construction, but they are likely to encounter many problems.

The newspaper ECONOMIC INFORMATION recently published a story about Hu Lianghui, a party member and former vice director of a Baotou textile factory in Inner Mongolia. Hu resigned in 1985 after she was engaged as a director by another textile factory in Liuzhou in Guangxi, which was at that time operating under a deficit.

With her good management style and knowledge of the textile industry, the factory began to reduce the deficit and increase surpluses in the first year. It earned 2 million yuan of profits in 1986, the following year.

But all of Hu's party membership credentials and personal files are still in the Baotou factory, which refuses to transfer them to her new factory.

Many people with professional training want to change jobs when they find they are not used properly in their organizations. In Shanghai, one-third of the scientific because of the limits of their units, according to a GUANGMING DAILY report.

The natural flow of talent is always obstructed by old traditions.

During the Spring Fair of the Beijing Talent Exchange held early in April, 14,000 people attended and more than 1,500 registered to exchange jobs.

But an official from the Beijing Talent Exchange Centre pointed out to CHINA DAILY that few have been successful.

"The difficulty lies with the units who control these people. They would rather keep them unused than let them go," the official said.

A post-graduate complained, "few units encourage the flow of college graduates. Instead, they put pressure on those who want to quit [their] job."

There are many others with higher education who have good jobs and seem to have no reason to change, so things are even more difficult for them.

An Xuewei, a graduate who has succeeded in transferring her job into a Sino-foreign co-operative enterprise heaved a sigh of relief and said, "it's really like a battle of attrition and now I feel tired. But I'm glad it's over."

An's major was economic management, and she was assigned to an institution after graduation.

"My job is not bad. Many of my friends envy me and want to come. But I don't want to remain in a single unit my whole life, especially since I'm young. I want to have more experience."

Different people have different interests and choices. Some can't decide which job is suitable before taking it. They need to move from one place to another to find a most suitable one, and at the same time get experience in various kinds of work.

These people tend to have more potential than those satisfied with their first assignment, but they are always attacked by a society which can't understand their situation. Because most of them are young, people with old ideas may regard them as not sincere in their work.

Some worry that the free flow of talent may create the tendency in people to rush to units with higher salaries or better working conditions.

That may not be a bad thing, though, as Han Guangyao, director of the Beijing Talent Exchange Centre, said in the BEIJING EVENING NEWS.

"The flow of talent means to a certain extent the competition of conditions and treatment by employers, and on the other hand, competition of knowledge and abilities by employees," he said.

"So the situation will encourage units to work more efficiently to improve their economic conditions and establish more rational personnel systems to attract better talent."

Also, if people have more free choice, some may choose to move away from units with higher salaries.

The newspaper LIBERATION DAILY reported that Shanghai's biggest Sino-foreign co-operative hotel--Huating Hotel--at the beginning attracted many university graduates and post-graduates with its favourable treatment.

But after a few months of practical work, some could not meet the highly efficient work standards, and strict regulations of management, so they began to resign despite the high pay.

To meet the demand for personnel exchanges, the state is making efforts to facilitate the free flow. The Ministry of Labour and Personnel has set up a special centre to regulate the exchange of talent throughout the country.

According to an official from the centre, it is making plans to organize people with professional skills who are not needed by their units.

The centre is going to set up trial regulation organizations in Shenyang, Shanghai and Chongqing. People in the cities who quit their jobs and haven't found suitable places can have their personnel files kept open and get their salaries there for [the] time being. The organizations will help them find new jobs.

/8309  
CSO: 4020/238

## URBAN POPULATION STATISTICS FOR 1986 RELEASED

OW090951 Beijing XINHUA Domestic Service in Chinese 0133 GMT 6 Jul 87

[Text] Beijing, 6 Jul (XINHUA)--The number of cities in China increased from 324 in 1985 to 353 in 1986, an increase of 29.

China's total urban population (not including that of counties under jurisdiction of cities) in 1986 was 233.24 million, an increase of 21.27 million over 1985. The total urban population accounted for 22.13 percent of China's total population, with the nonagricultural population of cities comprising 52.58 percent of the cities' total, or 122.64 million.

These data were published by the Ministry of Public Security. In June 1986, the Ministry of Public Security published for the first time the figures for China's cities and their population by the end of 1985; today it announced the new figures for 1986. The Ministry will do this once a year from now on.

The nonagricultural population of Changsha city last year exceeded 1 million last year, for the first time on record; the number of cities with a nonagricultural population of more than 1 million in China thus increased from 22 to 23.

Shandong and Hunan provinces have the largest number of cities with 22 each; Hubei follows with 20. Provinces with the largest number of cities in 1985 were Hunan, Shandong, and Sichuan. Xizang Autonomous Region, which had only one city, Lhasa, up to the end of 1985, gained another city in 1986, Xigaze City. Qinghai Province has also only two cities; together with Xizang, they have the least number of cities in the nation.

There are 23 large cities with a nonagricultural population of more than 1 million. Eight of them have a nonagricultural population of more than 2 million, they are Beijing, Shanghai, Tianjin, Shenyang, Wuhan, Guangzhou, Harbin, and Chongqing. The other 15 have a nonagricultural population of 1 to 2 million. Three cities have a nonagricultural population of 1/2 to 1 million. Ninety-five medium-sized cities have a nonagricultural population of 200,000 to 500,000, some 204 small cities a nonagricultural population of under 200,000.

Beijing's total population is 5.97 million, 110,000 more than in 1985, of which 5.22 million is nonagricultural, 120,000 more than the 1985 figure. Both Beijing's total population and nonagricultural population rank second among China's big cities. Shanghai remains top in the nation with a total population of 7.1 million and a nonagricultural population of 6.99 million, both representing an increase of 120,000 over 1985. Tianjin ranks third with a total population of 5.46 million and a nonagricultural population of 4.24 million, an increase of respectively 80,000 and 40,000 over 1985. Fourth and fifth are Shenyang and Wuhan with a total population of 4.29 and 3.49 million respectively and a nonagricultural population exceeding 3 million.

Provinces with a total urban population exceeding 10 million are Shandong, Liaoning, Hubei, Sichuan, Guangdong, Heilongjiang, Jiangsu, Hunan, and Hebei, 3 more than in 1985. Among them, Shandong's total urban population is 20.69 million, 220,000 more than in 1985.

Among all provinces and autonomous regions, only the 3 provinces of Northeast China have a nonagricultural population that is more than 20 percent of the total population; next comes Xinjiang with 19.5 percent.

Starting from today, XINHUA NEWS AGENCY will transmit statistics of cities with a nonagricultural population exceeding 1 million, of the population of 14 coastal cities opened to the outside world, and of urban populations (all as of the end of 1986).

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CSO: 4020/238

## URBAN POPULATION IN PROVINCE-LEVEL AREAS LISTED

OW071046 Beijing XINHUA in English 1018 GMT 7 Jul 87

["Statistics on Urban Population in Province-Level Areas"--XINHUA headline]

[Text] Beijing, July 7 (XINHUA)--Following is a table showing the number of people in cities in province-level areas at the end of 1986 (provided by the Chinese Public Security Ministry):

<u>Area</u>	<u>Number of cities</u>	<u>Total number of households (millions)</u>	<u>Population (million)</u>
China's total	353	57.968	233.236
Beijing	1	1.746	5.968
Tianjin	1	1.557	5.459
Hebei	17	2.772	10.461
Shanxi	10	1.579	6.531
Inner Mongolia	16	1.346	5.448
Liaoning	19	4.796	17.403
Jilin	12	1.925	7.404
Heilongjiang	18	2.999	11.598
Shanghai	1	2.065	7.101
Jiangsu	15	3.325	11.173
Zhejiang	14	2.591	8.942
Anhui	16	1.965	7.725
Fujian	10	1.046	4.369
Jiangxi	12	1.33	5.901
Shandong	22	5.279	20.687
Henan	18	2.226	9.073
Hubei	20	3.923	16.285
Hunan	22	2.676	10.475
Guangdong	18	2.981	12.261
Guangxi	11	1.216	5.475
Sichuan	19	4.054	15.725
Guizhou	6	1.086	4.962

<u>Area</u>	<u>Number of cities</u>	<u>Total number of households (millions)</u>	<u>Population (million)</u>
Yunnan	11	1.225	5.483
Tibet	2	0.029	0.18
Shaanxi	8	1.363	5.524
Gansu	12	1.204	5.36
Qinghai	2	0.157	0.675
Ningxia	4	0.266	1.167
Xinjiang	16	1.041	4.421

(Note: These figures exclude urban residents in counties administered by cities)

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CSO: 4020/238

## URBAN NONAGRICULTURAL POPULATION STATISTICS

OW081441 Beijing XINHUA Domestic Service in Chinese 0054 GMT 6 Jul 87

[Text] Beijing, 6 Jul (XINHUA)--Data: Statistics of China's Cities with a Nonagricultural Population of More Than 1 Million (the end of 1986)

(Data provided by the PRC Ministry of Public Security)

City Name	Province Located in	Total Population	Nonagricultural Population	Percentage of Total Population
Shanghai	Shanghai	7,102,000	6,987,000	98.4
Beijing	Beijing	5,968,000	5,223,000	87.5
Tianjin	Tianjin	5,459,000	4,244,000	77.7
Shenyang	Liaoning	4,285,000	3,335,000	77.8
Wuhan	Hubei	3,493,000	3,024,000	86.6
Guangzhou	Guangdong	3,359,000	2,650,000	78.9
Harbin	Heilongjiang	2,668,000	2,290,000	85.8
Chongqing	Sichuan	2,832,000	2,128,000	75.1
Nanjing	Jiangsu	2,289,000	1,918,000	83.8
Xian	Shaanxi	2,387,000	1,777,000	74.4
Chengdu	Sichuan	2,642,000	1,572,000	59.5
Changchun	Jilin	1,909,000	1,512,000	79.2
Taiyuan	Shanxi	1,929,000	1,440,000	74.7
Dalian	Liaoning	1,682,000	1,422,000	84.5
Jinan	Shandong	1,464,000	1,188,000	81.1
Qingdao	Shandong	1,273,000	1,177,000	92.5
Fushun	Liaoning	1,270,000	1,126,000	88.7
Anshan	Liaoning	1,298,000	1,122,000	86.4
Kunming	Yunnan	1,516,000	1,111,000	73.3
Lanzhou	Gansu	1,391,000	1,097,000	78.9
Hangzhou	Zhejiang	1,271,000	1,026,000	80.7
Zhengzhou	Henan	1,611,000	1,024,000	63.6
Changsha	Hunan	1,193,000	1,001,000	83.9

Note: The above figures do not include populations of the counties under the jurisdiction of city governments.

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CSO: 4006/803

## FAMILY PLANNING COMMISSION RELEASES 1986 FIGURES

OW081740 Beijing XINHUA in English 1330 GMT 8 Jul 87

[Text] Beijing, July 8 (XINHUA)--The total population on China's mainland reached 1,057,210,000 by the end of 1986, up 3.34 million over the 1985 figure, the State Family Planning Commission announced here today.

Addressing a press conference here today, spokesman for the commission Liang Jimin said that the birth rate and the natural growth rate all showed rising trends in 1986. The birth rate was 20.8 per thousand, higher than that in all the three preceding years from 1983 to 1985, which were 18.6, 17.5 and 17.8 per thousand, respectively.

The natural growth rate in 1986 showed an increase of 2.85 per thousand over the 1985 figure which was 11.23 per thousand.

Liang Jimin said that the reason for the rise is that people born during the second "baby boom" starting in 1962 are now entering their marriageable and childbearing ages, resulting in an increase in the number of fertile women and marriages.

He said, according to statistics, the year 1986 saw an increase of nine million in the number of fertile women over the 1985 figure. The number of first marriages in 1986 was 9.34 million, 560,000 more than in the preceding year.

The spokesman noted that there was also an increase in the number of second births allowed for rural families that have real difficulties, and the proportion of third and more births was still high.

Among the births in 1986, first births accounted for 51.2 percent, second for 31.5 percent and third for 17.3 percent.

Lastly, he said, in the past two years, the rate of late marriages declined and that of early marriages increased, as well as a slacking of effort in the work of family planning in some places.

He said that this year is seeing a third baby boom, posing tremendous work for the country's family planning.

He said that since early this year, governments at all levels have paid more attention to family planning work and tried hard to raise the proportion of single births. Policies regarding areas inhabited by minority nationalities, he said, will continue to be flexible.

He stressed that unplanned second and more births would be strictly forbidden in order to ensure that China's population be kept at around 1.2 billion by the end of the century.

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CSO: 4020/238

## STATE FAMILY PLANNING COMMISSION HOLDS MEETING

OW091308 Beijing XINHUA in English 1207 GMT 9 Jul 87

[Text] Beijing, July 9 (XINHUA)--The world population would have reached five billion two years ago and would have been more than 5.13 billion now if China had not controlled its population growth over the past decade or so.

Population scientist Liu Zheng made this remark at a meeting called here today by the State Family Planning Commission to mark "five billion day" sponsored by UNFPA (United Nations Fund for Population Activities).

Liu Zheng, director of the population science institution of the Chinese People's University, pointed out that the family planning program which was begun in the early 1970s makes it possible for China to keep its population at around 1.2 billion instead of 1.53 billion by the end of the century.

He said the natural growth rate of the world population has dropped to 17 per thousand today from 19 per thousand in the 1970s owing to the decrease of China's population growth rate.

The main reason for China's decrease was the decline in women's total fertility rate, he noted.

A population sampling shows that women's total fertility rate in China has been cut to 2.5 in the 1980s from about 5.7 in the 1960s, he explained, adding that the birth rate also dropped to today's 20 per thousand from over 30 per thousand before 1971.

"China's family planning program practised on a voluntary basis has proved successful," he said.

Zhang Chunyuan, director of the Population Science Institution of Beijing University, said that in rural China, women's fertility rate is 21.6 per thousand, 47 per cent lower than in the 1970s.

He said China's family planning program has played an important role in the population control efforts of the developing countries.

He added, the fertility rate, natural growth rate, death rate of babies and the total fertility rate of the developing countries have been cut by four per thousand, three per thousand, seven per thousand and 0.6 per thousand, respectively.

Xu Dixin, a leading economist and chairman of the China Population Society, said a total of 200 million less children were born in the past 16 years.

"This has contributed a lot to the stability of the world population," he said.

Wang Weiuz, [as printed] minister in charge of the Family Planning Commission, presided over today's meeting attended by Chinese scholars and specialists.

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CSO: 4020/238

## INTERNATIONAL BIDDING OPENS FOR RAILROAD PROJECTS

OW111026 Beijing XINHUA in English 0951 GMT 11 Jul 87

[Text] Beijing, July 11 (XINHUA)--International bidding was opened here today for China's railway projects to be funded by the World Bank with a loan of 220 million U.S. dollars.

An official of the China National Technical Import Corporation said that 25 firms from Federal Germany, Japan, Sweden, Switzerland and Hong Kong participated in the bidding.

The new railway projects include electrifying a double-track railway between Zhengzhou to Wuhan in central China, upgrading Changchun railway coach plant in northeast China and building two laboratories for the Chinese Academy of Railway Sciences.

The World Bank provided a loan over 200 million U.S. dollars for China's first railway projects in April 1983. The loan was used for electrifying the Datong-Taiyuan railway in north China province of Shanxi, building the Xinxiang-Heze railway in Henan and Shandong and upgrading the Heze-Yanzhou railway in Shandong.

The official said the two batches of loans will be repaid in 20 years. Rapid progress was made for the first batch of projects. The Xinxiang-Heze railway has been completed, the Heze-Yanzhou railway is expected to be completed within this year and the other line will go into operation next year.

An official from the Ministry of Railway said in the second batch of projects, China will buy cement, timber, electrifying facilities, signal devices and telecommunication equipment for the Zhengzhou-Wuhan railway project.

The railway is expected to be completed in 1990, with an annual handling capacity growing from 3,600 tons at present to 6,000-7,000 tons then, he said.

Remarkable results will be gained for the Changchun railway coach plant when it is revamped in 1991. It will produce 1,500 new railway coaches a year.

The new railway coach is jointly designed by the plant and British Railway Engineering Ltd Co. it weighs lighter but moves faster.

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CSO: 4020/238

## NEW PUBLICATION ON FAMILY PLANNING BEGINS

OW052002 Beijing XINHUA Domestic Service in Chinese 0710 GMT 2 Jul 87

[Excerpts] Beijing, 2 Jul (XINHUA)--A "new member" has been admitted into China's ranks of publications. ZHONGGUO JIHUA SHENGYU BAO [0022 0948 6060 0439 3932 5148 1032 CHINA FAMILY PLANNING NEWS] will go on sale 3 July. Li Xiannian, Chen Yun, and Wang Shoudao inscribed the newly-published ZHONGGUO JIHUA SHENGYU BAO.

Li Xiannian's inscription reads: Family planning and eugenics are a national policy and should be carried out firmly. ZHONGGUO JIHUA SHENGYU BAO grew out of JIANKANG BAO, and JIHUA SHENGYU BAO [0256 1660 1032 6060 0439 3932 5148 3652 the family planning edition of HEALTH NEWS], which started publication on 6 January 1984 and had a circulation of 730,000 copies.

The newly-published ZHONGGUO JIHUA SHENGYU BAO is devoted to publicizing and reporting on Marxist views of population, marriage, and birth, and the principles, policies, laws, and regulations of the party and state on family planning; to promoting exchanges on the experiences of various localities in family planning; and to introducing domestic and foreign scientific knowledge on population and development and on childbearing and child-rearing.

ZHONGGUO SHENGYU BAO will remain a weekly for the rest of this year, but will become a semiweekly next year.

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CSO: 4006/803

## BRIEFS

LIAONING WHEAT SOWING--This year Liaoning Province has sown 550,000 mu of wheat, nearly double last year's figure. [Summary] [Shenyang Liaoning Provincial Service in Mandarin 2100 GMT 9 Jul 87 SK] /9738

SHAANXI TO RECOUP LOSSES--The rural areas of Shaanxi have actively launched a drive to recoup summer losses in autumn and are working hard to fulfill the year's grain production plans. By 6 July, the province had sown 32.8 million mu of autumn grain, 2 million mu than last year. Due to natural disasters such as drought, plant diseases, insect pests, continuous rain, and so on, the province's summer grain production this year was more than 10 percent below last year's level. To ensure the fulfillment of the year's grain production plan, the rural areas have promptly launched a drive to recoup summer losses in the autumn. At present most of the more than 32 million mu of autumn crops are growing well. The peasants are stepping up field management and are tending the crops carefully. They are resolved to reap a bumper autumn harvest. [Excerpts] [Xian Shaanxi Provincial Service in Mandarin 2300 GMT 7 Jul 87 HK] /9738

XINJIANG AGRICULTURAL OUTPUT--According to forecasts made by the Xinjiang regional agricultural department and the regional statistical bureau, it is a foregone conclusion that most areas in Xinjiang region will have bumper harvests of summer grain this year. Although the whole region's acreage under summer grain this year was reduced by over 540,000 mu as compared with last year, this year's total summer grain output will exceed last year's. It is estimated that this year's per unit area yield of summer grain will reach 384 jin, an increase of 14 jin as compared with last year. The whole region's acreage under cotton this year increased by over 1.2 million mu as compared with last year. According to reports from various areas, this year's cotton is coming along fine. Despite this year's catastrophic wind and snowstorms, Xinjiang region's animal husbandry managed to achieve a 2.18 percent winter death rate among its total number of livestock; a death rate which is lower than the average death rate in normal years. This region's total number of livestock born this year has reached more than 10.45 million, and their survival rate is 93.6 percent, an increase of 2 percent as compared with last year's survival rate. [Summary] [Urumqi Xinjiang Regional Service in Mandarin 1200 GMT 8 Jul 87 HK] /9738

QINGHAI BANK LOANS--Agricultural loans and loans for township and town enterprises provided by Qinghai Province's agricultural banks and credit cooperatives at all levels during the January-May period this year totaled more than 100 million yuan, an increase of 28 percent over the same period last year. Of these, loans for promoting grain production increased by 50.1 percent compared with the same period last year. [Summary] [Xining Qinghai Provincial Service in Mandarin 0430 GMT 26 Jun 87 HK] /9738

HEILONGJIANG SOYBEAN EXPORTS--Today, Heilongjiang Province exported 2,000 tons of soybeans to the Soviet Union. In September 1986, Heilongjiang exported 1,200 tons of soybeans to the Soviet Union. [Excerpt] [Harbin HEILONGJIANG RIBAO in Chinese 21 Jun 87 p 1]

JIANGSU GRAIN STORAGE--As of 10 June, Jiangsu Province had put 79,000,000 kilograms of wheat and 64,000,000 kilograms of rapeseeds in storage. [Excerpt] [Nanjing XINHUA RIBAO in Chinese 14 Jun 87 p 1]

JIANGSU TEA OUTPUT--The gross output of tea in Jiangsu Province this spring was 94,059 dan, an 11 percent increase over 1986. Output of high and medium-grade tea was 79,374 dan, accounting for 84.2 percent of total output. [Excerpt] [Nanjing XINHUA RIBAO in Chinese 18 Jun 87 p 1]

QINGHAI FORESTRY LOANS--Agricultural banks in Qinghai Province will allocate 2,000,000 yuan in discount loans to support the development of forestry production. In 1986, Qinghai provided 1,600,000 yuan in discount loans to support forestry. [Excerpts] [Xining QINGHAI RIBAO in Chinese 11 Jun 87 p 2]

SICHUAN SILK EXPORTS--From January to May the silk industry in Sichuan Province (excluding Chongqing) earned more than \$52,000,000 in foreign exchange from silk exports, a 58.8 percent increase over the same period in 1986. [Excerpt] [Chengdu SICHUAN RIBAO in Chinese 15 Jun 87 p 1]

CSO: 4006/815

MILITARY, PUBLIC SECURITY

MILITARY ACADEMIES TRAIN 1 MILLION OFFICERS

HK110826 Hong Kong ZHONGGUO XINWEN SHE in Chinese 1206 GMT 7 Jul 87

[By reporters Tian Huiming [3944 1920 2494] and Li Chun [2621 2504]]

[Text] Since their establishment, the PLA military academies have trained nearly 1 million commanders and technological officers at various levels for the PLA's land force, naval force, and air force. Since 1979, 0.4 million officers have graduated from the PLA military academies and have since been serving in the various units of the PLA.

There are now over 100 military academies in China which are divided into 1 major categories: military command academies and military technology academies.

One of the major achievements of the reform of the military command academies is the establishment of the structure of three-level training and multi-level in-service training for military commanders. Now, the top military academy in China is the PLA National Defense University, which trains the commanders at or above the rank of group army commander, senior staff officers, and senior military research personnel, and carries out research on national defense strategies. Only by completing the training provided by the junior, intermediate, and senior military command academies and graduating from these military command academies will PLA officers be appointed to the relevant posts, such as platoon commander, regiment commander, and army commander. When an officer is to be promoted from a command post at the grassroots level to a senior command post, he or she must have at least three times entered the military academies for the relevant military training and have had a number of short-term training courses as well.

The intermediate and senior military technology academies of the PLA are mainly aimed at training officers at five levels, from the technical secondary school level to the doctoral degree level, and these military academies have so far trained a large number of qualified personnel specialized in the repair and use of a variety of military equipment and a large number of scientific and technological research personnel.

At present, among all the intermediate and senior military academies, 14 military academies have the right to confer doctoral degrees in 54 subjects

and specialties and 11 military academies have the right to confer master's degrees in 212 subjects and specialties.

On the campuses of the PLA military academies, which cover a total of 20,000 hectares of land, there is an academic contingent formed by more than 30,000 well-qualified teachers. The PLA military academies now have teaching equipment and fixed assets worth a total of nearly 10 billion yuan and more than 100,000 students.

China's military academies have also implemented the policy of opening up to the outside world and have received more than 20,000 visitors and academics from a number of foreign countries. China's military academies have also trained a number of professional military personnel for the military forces of some foreign countries.

Over the past few years, after visiting some of China's military academies, the military delegations of some foreign countries and the military attaches in foreign embassies in China spoke highly of China's military academies, saying that China's military academies have reached the advanced international standard. Some foreign countries have also said that they want to establish certain links between China's military academies and the military academies of their own countries, while other foreign countries have said that they want to send specially formed military delegations to China to carry out research on China's military academies.

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CSO: 4005/853

MILITARY, PUBLIC SECURITY

SICHUAN MEETING DISCUSSES CADRE STAFFING ISSUES

HK110215 Chengdu Sichuan Provincial Service in Mandarin 2200 GMT 10 Jul 87

[Text] A provincial conference on controlling staffing levels, readjusting the cadres structure, and resettling PLA cadres concluded in Chengdu on 10 July. In accordance with the arrangement made by the national conference on controlling staffing levels and readjusting the cadres structure, Sichuan will readjust the distribution structure of the cadres this year and next. A number of overestablishment cadres in party, government, and mass organs and units will be transferred to political and legal and economic supervisory departments. At the same time, some PLA cadres and graduates of colleges and secondary technical schools will also be assigned to these departments.

The cadre contingent in Sichuan has grown too rapidly in recent years. There is serious overstaffing in the organs and in various undertakings and units. Readjusting the cadres structure can effectively control the growth of staffing levels and of the cadre contingent and also create conditions for future structural reform.

Provincial party committee deputy secretary Nie Ronggui spoke at the conclusion of the meeting. He said; There are many difficulties involved in this work and the task is heavy. The party committees and government at all levels must strengthen leadership, strictly act according to the policies, and do a good job in ideological work. The organization and personnel departments and the department in charge of cadre resettlement must cooperate closely and work together to readjust the cadre structure and resettle the PLA cadres being demobilized this year.

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CSO: 4005/853

MILITARY, PUBLIC SECURITY

REPORT ON PLA'S FIRST ARMORED REGIMENT

HK071345 Hong Kong ZHONGGUO XINWEN SHE in Chinese 0343 GMT 26 Jun 87

[Report by ZHONGGUO XINWEN SHE reporters Tian Huiming (3944 1920 2494) and Li Chun (2621 2504): "China's First Armored Regiment"]

[Excerpts] In the hinterland is stationed China's first mechanized armored infantry regiment. Made up of all arms of the ground forces and provide with refined weapons and equipment, it is worth being called the top regiment in China's Army.

The predecessor of this armored regiment is the Red Army Regiment--a unit personally founded by the late Marshal Peng Dehuai. Last autumn, Marshal Peng Dehuai's surviving wife Pu Anxiu specially came from Beijing to see this regiment. As she walked into the tree-shaded camping ground, a strong aura of modernization greeted her. Dazzling and colorful armored vehicles, APC's, simulated surface-to-air missile training vehicles, tracked bridging vehicles, engineer, communications, and command vehicles were arranged in order, tank and self-propelled gun muzzles poised for attack.

In 1969, the Red Army Regiment had its name changed from "a mule and horse regiment" to "a motorized regiment." In 1980, it was renamed a mechanized regiment. In 1984, it was again equipped as the first mechanized armored infantry regiment to become the "pride" of China's Army. People in military circles feel this is a product of China's streamlining and reorganization, and reform and innovation efforts. To a certain degree, this has reflected progress in China's national defense modernization effort.

These reporters recently visited this miracle of a mechanized infantry regiment. As we entered the regiment's barracks area, we were greeted by the sight of newly built three-storied housing. Each building housed the officers and soldiers of one battalion. Each floor was occupied by a detachment.

According to what an officer said, the buildup of the Red Army Regiment as China's first mechanized armored infantry regiment received the attention of Vice Chairman of the Central Military Commission Yang Shangkun, Beijing Military Region Commander Qin Jiwei, and so forth.

Picked troops call for capable generals, just as a unit with modern equipment requires officers with modern ideas to direct it. The several officers in

charge of this regiment are mostly college graduates. Incumbent regimental commander Li Shaojun, 38, was a graduate from the Chinese language department of a regional university, and later joined a military academy for higher studies. He engrossed himself in studying the "Science of Military Control" and took up various specialized books on infantrymen, tank operators, artillerymen, and other arms of the army. He uses system engineering and other modern theories to run this unit and direct its training, making possible the close combination of accomplished soldiers with modern equipment.

On the desk of the regiment's political commissar, Huang Jiaxiang, these reporters found some best sellers like "(Mary Kai) [3854 7787 0418] on How To Handle People," "The Art of Using Talented People," and so forth. It was learned that this political commissar had dedicated himself to studying "principles related to human values" and the "management of talent," formulating a program for appointing officers on their merits.

In this unit, a number of college graduates play an active role. Due to the unit's fine equipment, these scholars feel that they have scope for the development of their abilities. They are able to apply the specialized knowledge they have acquired and to make the most of their talents.

At a military review to mark the 35th anniversary of the founding of the PRC of the 40-plus troop formations that passed through Tian-anmen Square, four armored groups came from this regiment. Their heroic posture focused the attention of people at home and abroad.

Last autumn, this regiment participated in the first offensive battle exercise involving the use of actual troops and armored vehicles organized by the group army, playing the role of a main attack regiment of the main attack division. Newly honed blades were being put to the test. On the ruins of a rolling ancient battlefield, armored vehicles moved with roaring sounds. The main attack assignment was successfully accomplished in line with the arrangements for the whole battle. This won the praise of high-ranking officers viewing the exercise.

Members of the regiment have gone through the mill bedding down at the foot of the Yanshan Mountains and drilling over the Taihang Mountains. An officer of the Red Army Regiment, Wang Yingping, told these reporters: In the case of an outbreak of war, the Red Army Regiment will forever remain a hard sharp blade safeguarding the country's borders and fighting in its defense.

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CSO: 4005/853

MILITARY, PUBLIC SECURITY

AIR FORCE ADVOCATES POSITIVE EDUCATION

OW080004 Beijing XINHUA Domestic Service in Chinese 0254 GMT 7 Jul 87

[By correspondent Zhou Shanhai and reporter Cai Shanwu]

[Text] Beijing, 7 Jul (XINHUA)--A survey by the Air Force of the way positive education was conducted in its 100-plus companies shows that while notable results have been achieved in conducting positive education in the four cardinal principles, further efforts are needed for the education to take root in the minds of members of these companies.

Since March, the Air Force units have conducted specific education in upholding the four cardinal principles and in opposing bourgeois liberalization. Leading organs of the Air Force recently organized units at and above the level of air force command to send working groups to grassroots units to survey the way positive education was conducted in 123 companies at the grassroots level, representing a dozen or so types of troops, including aviation, ground maintenance, radar, surface-to-air missile, antiaircraft artillery, and airborne troops. The findings of the survey show that thanks to fairly substantial education and high attendance rates, most of these units have basically achieved the goals of distinguishing between right and wrong, unifying thinking, raising consciousness, and strengthening convictions.

According to comrades participating the survey, positive education conducted in companies at the grassroots level has yielded the following results:

1. Cadres and fighters have grasped the nature and significance of the struggle to oppose bourgeois liberalization.
2. Understanding has been strengthened regarding the party's line, principles, and policies since the 3d Plenary Session of the 11th CPC Central Committee. Correct understanding has been fostered concerning the dialectical relations between the two basic elements of upholding the four cardinal principles and persisting in conducting reforms and opening to the outside world.
3. Some basic truths have been clarified. Understanding has been improved, and self-consciousness of concrete actions has been raised in connection with the issues of why and how the four cardinal principles should be upheld.

4. The ability to discern and resist the ideological trend of bourgeois liberalization has been strengthened.

Leading organs of the Air Force feel that education in this field still needs to be intensified. In order to successfully carry out the positive education drive, they have, on the basis of the problems revealed by the survey, specifically urged all air force units to:

1. Guide cadres and fighters in gaining a full understanding of the protracted nature and necessity of the fight against bourgeois liberalization and prevent sagging morale in the fight;
2. Conduct serious reviews of their experiences on the basic of the findings of surveys, pinpoint problems, and study measures to intensify positive education;
3. Allot a certain amount of time for the purpose of paying particular attention to education in the reform, open, and invigoration policies and educate the troops with the help of practical results of reforms so that they will be more conscientious in showing concern and support for reforms, in joining the reform drive, and in cherishing and protecting the achievements in reforms;
4. Organize cadres and fighters to study the two books "Build Socialism With Chinese Characteristics" and "Uphold the Four Cardinal Principles and Oppose Bourgeois Liberalization," and improve the theoretical understanding of the party's line, principles, and policies; and
5. Incorporate positive education into studies of political theories and everyday ideological and political work part of the effort to make the realization of continued positive education a regular occurrence.

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MILITARY, PUBLIC SECURITY

BRIEFS

NANJING LEADERS ATTEND BRIEFING--The 2-day news briefing given by the Nanjing Military Region to mark the 60th anniversary of the PLA closed in Nanjing on 11 July. Present at the meeting were leaders of the Nanjing Military Region, including Commander Xiang Shouzhi, Political Commissar Fu Kuiqing, Deputy Commanders Guo Tao and Wang Chengbin, and Deputy Political Commissar Shi Yuxiao. [Excerpts] [Nanjing Jiangsu Provincial Service in Mandarin 2200 GMT 11 Jul 87 OW] /6662

CHENGDU LEADERS MARK ANNIVERSARY--Organs of the Chengdu Military Region and the PLA units stationed in Sichuan yesterday [6 July] afternoon held a report meeting at the military region's auditorium to solemnly mark the 50th anniversary of the 7 July incident of 1937. Attending the meeting were Wan Haifeng, political commissar of the Chengdu Military Region, Li Shuo, deputy political commissar of the military region; Shao Nong, Zheng Xianbin, and (Liu Boran), leading comrades from the military region's organ's and over 20 retired veterans of the Red Army and the Eight Route Army. [Excerpts] [Chengdu Sichuan Provincial Service in Mandarin 2200 GMT 6 Jul 87 HK] /6662

QINGHAI REGULATES PAFD BODIES--In order to strengthen militia and reserve service work in the province and resolve problems existing in the people's armed forces departments since their transfer to the local authorities, the provincial party committee, government, and military district recently issued a joint circular on relevant issues regarding these departments following the transfer, setting out regulations on their structure, work, cadre management, and expenditures. The circular stresses that the work of the people's armed forces departments must be subordinate to the leadership of the local party committees. The county party committee secretaries should concurrently serve as secretaries of the people's armed forces department party branches and they should exercise unified leadership and periodically discuss military affairs. While subordinating themselves to the local core tasks, the people's armed forces departments should also retain relative independence. They should do a good job in militia and reserve service work centered around economic construction and make still greater contributions toward the invigoration of Qinghai's economy. [Text] [Xining Qinghai Provincial Service in Mandarin 0430 GMT 13 Jul 87 HK] /6662

HAINAN MD CONSTRUCTION PROJECT--During the first half of this year, the Hainan Military District cut down 16 capital construction projects and retrenched expenditures totaling 1.8 million yuan. The (Yulin) military subdistrict originally planned to make an investment of 500,000 yuan in a housing construction project for cadres at and above regimental levels. To increase revenue and reduce expenditure, the military subdistrict changed the plan by maintaining or rebuilding its existing houses, thus reducing expenditure by nearly 400,000 yuan. [Excerpts] [Haikou Hainan Island Service in Mandarin 1000 GMT 9 Jul 87 HK] /6662

CSO: 4005/853

NORTHEAST REGION

REGIONAL

SHENYANG MILITARY COMMANDER AT SCHOOL OPENING

SK270620 Harbin Heilongjiang Provincial Service in Mandarin 0900 GMT  
26 Jun 87

[Text] Today, when the national meeting to exchange experiences in the campaign of giving favored treatment to servicemen's families, supporting the governments, and loving the people has reached high tide, 145 fighters of a certain division stationed in Jiamusi City gladly entered a new school where training classes are held for rural primary and middle school teachers jointly sponsored by the Jiamusi City Government and a certain division stationed in the city.

The training classes' schooling lasts from 1 and 1/2 to 2 years. After passing the graduation examinations, students will be issued graduation certificates of secondary specialized education by the Jiamusi City educational institute.

Liu Jingsong, commander of the Shenyang Military Region; Liu Zhenhua, political commissar of the region; and (Zhang Qingyou), mayor of Jiamusi City, successively made speeches at school opening ceremony.

They encouraged the students to study hard in an effort to make contributions to the rural educational development in the future. They also hoped that armymen and civilians would make concerted efforts to grow this new flower, the training classes.

Li Wenqing, director of the Political Department of Shenyang Military Region; and Dong Yisheng, political commissar of a certain group army stationed in our province, attended the school's opening ceremony.

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CSO: 4005/831

## LIAONING CONFERENCE SUMS UP PARTY RECTIFICATION

SK260723 Shenyang Liaoning Provincial Service in Mandarin 2100 GMT 25 Jun 87

[Text] Sun Qi, deputy secretary of the provincial party committee, said: After 3 and 1/2 years of efforts in party rectification, most localities, departments, and units in our province generally have fulfilled their tasks of unifying thinking, straightening out workstyles, strengthening discipline, and purifying the organization. In the future, we should conscientiously do a good job in transitioning from concentrated party rectification to regular party building, and push our party building forward on the basis of party rectification.

Sun Qi's report on a basic summary of party rectification and opinions on regularly strengthening party building was given on the morning of 25 June at the second plenary session of the provincial conference of party delegates. He said: Our province's party rectification, which started in December 1983, was carried out in two stages and four groups, and was generally completed in May this year. Conducted after the 10-year turmoil and in a new historical situation in which reform and opening up are being carried out, this party rectification was complicated and had arduous tasks to be fulfilled. Despite the interference and shortcomings, it scored achievements, which was the main aspect. The achievements of some localities and departments were also very notable, and one by one they became increasing better. The party's serious impurity in ideology, workstyles, and organization was changed fairly extensively. The specific manifestations of this were: The understanding of the line adopted at the 3d Plenary Session of the 11th CPC Central Committee was corrected; party unity was strengthened; emancipation of the party members' minds was promoted; the party members' awareness in maintaining ideological and political unity with the party Central Committee was enhanced; their blunted ideas on ideals and belief, the deviation from the purpose of serving the people, and the erroneous tendency of putting money above everything else were initially changed; and the fundamental viewpoints and methods of seeking truth from facts, proceeding from reality in doing everything, and integrating theory with practice were further adopted in the entire party.

Speaking on the changes in workstyles and on organizational discipline, Sun Qi cited a great number of figures. He said: According to incomplete statistics, in line with relevant policies, the province ordered 5,305 people whose houses were larger than the standard to vacate the excessive parts or to pay

more rent; corrected the problems of 5,718 cadres who violated policies by changing their children's relatives', and friends' employee status from agricultural population, worker, and collective-unit employee to nonagricultural population, cadre, and state-unit employee; recruited workers, students, and cadres; and straightened out all the 3,233 units of party and government organs which had engaged in commercial business or established enterprises since the second half of 1984. Approximately 52.61 million yuan was recovered for arbitrarily issued garments, bonuses, materials, and subsidies; and more than a half of the collective property and funds, totaling 284.57 million yuan, which were embezzled by individuals was returned during rural party rectification. Plans have been worked out for gradually recovering the remaining part. A total of 98.3 percent of the cases to be examined and verified were concluded.

After the examination, 115 persons were decided to be the three types of persons, and 3,609 persons to be people with serious mistakes. Leading bodies which were weak and lax or had other kinds of problems were readjusted. A total of 3,585 leading bodies at and above the county level and 9,332 rural town, township, and village leading bodies were readjusted. Of the nearly 2 million full party members throughout the province who were examined and whose cases were concluded during party rectification, 4,704 were refused party member registration and 2,170 have not registered for certain reasons. Throughout the province 10,259 party members were punished, of which 1,166 were expelled from the party and 289 were dismissed from their party posts.

After speaking on our defects and experiences in party rectification, Sun Qi said: Although party rectification has been completed, we should not slacken our efforts to fulfill the tasks for party building.

He pointed out six opinions on strengthening party building in the future. First, it is necessary to enhance further the entire party's understanding of the important significance in the building of a ruling party and of the arduous tasks it faces. Second, starting from the party's leading organs and leading cadres at various levels, and in coordination with the political structural reform, we should conscientiously exert efforts to separate party affairs from government affairs and strengthen leadership over party building. Third, it is necessary to intensify the education of party members and improve their political quality so that they will play a vanguard and exemplary role in production, work, study, and social life. Fourth, it is necessary to continue to firmly grasp party building in line with the central principle of resoluteness and persistency and further improve relations between the party and the masses. Fifth, it is necessary to further perfect the regular activities of party organizations, improve their systems, and strive to turn party organizations into a strong core leading the socialist modernization cause. Sixth, it is necessary to continue to improve leading bodies.

Sun Qi stressed: At present and for some time to come, we should regard it a major task for improving party style to correct the various unhealthy trends, such as power abuse for selfish gains, bureaucracy, and extreme individualism

and liberalism characterized by contention for power, fame, and profits, and should pay attention to it. First, we should resolutely check the unhealthy trends of a small number of leading cadres who continue to abuse power in housing construction and distribution, placement of their children, appointment of people by favoritism, and giving parties and gifts with public funds. Second, we should exert great efforts to correct the bureaucratic workstyle of showing no interest in and responsibility to the party's cause and the people's hardships and, in particular, any dereliction of duty. Third, we should resolutely eliminate favoritism through connections and the practice of (?interceding for others).

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CSO: 4005/831

TAIWAN

TAIWAN PLANS TARIFF CUTS ON 3,000 ITEMS

OW081111 Taipei CNA in English 0959 GMT 8 Jul 87

[Text] Taipei, July 8 (CNA)--The Industrial Development Bureau has completed a plan to reduce tariffs on more than 3,000 industrial items as a further step to promote trade liberalization and internationalization.

Officials of the bureau said the plan covers the cutting of tariffs on umbrellas and toys to 10 percent and on shoes to 5 percent. These items have been the country's major export goods.

Tax rebates on more than 600 raw materials and components will also be annulled next year as tariffs on them will be drastically reduced, the official said.

Except for agricultural and food items, which are affected by the government's farming policy, and automobile imports for which the government has already set a timetable for tariff reduction, the plan covers nearly every one of the 4,300 items of the tariff law.

Garment and fabric tariffs, which now stand at 15 percent and 12.5 percent, respectively, will be lowered to 10 percent. Household appliances, currently taxed at below 20 percent, will go as low as 10 percent.

Officials said the plan is expected to be submitted to the Economics Ministry for approval soon. The new tariff rates will go into force next January.

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CSO: 4020/238

TAIWAN

U.S. COMPANIES MAY OPERATE CONTAINER SERVICE

OW081433 Taipei CNA in English 1415 GMT 8 Jul 87

[Text] Taipei, July 8 (CNA)--The Ministry of Communications announced Wednesday that U.S. shipping companies which have set up branch offices here may now apply to local harbor bureaus to run harbor container storage and distribution centers, marketing and accepting shipping orders for their parent companies.

The government's decision to open the local shipping market to American companies was based on an agreement reached in the second round of the ROC [Republic of China]-USA transportation talks in Washington, D.C. April 6-7, a ministry official said.

To honor the agreement, the government recently revised the rules governing the management of container storage and distribution centers, thus opening the harbor container service market to foreign companies which are not authorized to operate inland container storage and distribution centers.

According to the ROC-USA agreement, the local branch offices of American shipping companies may apply to run the same kinds of business as local companies.

The Communications Ministry has directed all harbor bureaus to thoroughly review their operations and to work out management rules appropriate to their own local conditions as they screen applications to operate such businesses, the official said.

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